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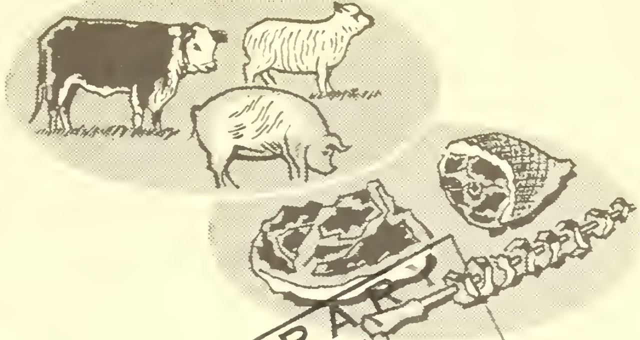
# LIVESTOCK and MEAT SITUATION



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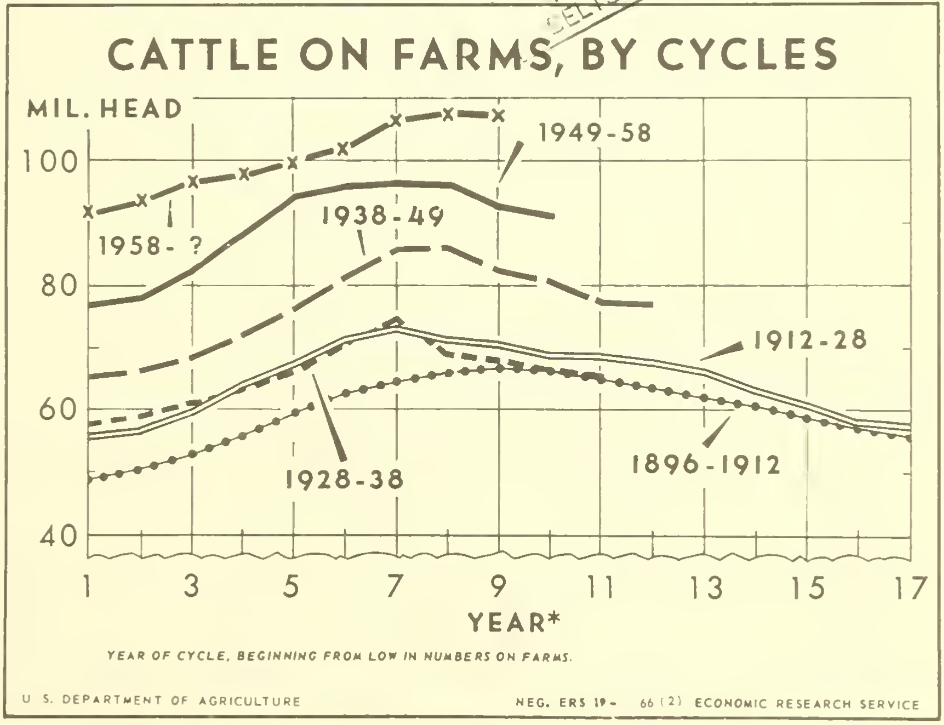
Cattle on farms declined 0.6 million head during 1965 and totaled 106.6 million head at the beginning of this year. The decline during 1965 followed 7 consecutive years of buildup. The number of animals on farms rose from 91.2 million head on January 1, 1958, to a peak of 107.2 million head at the beginning of 1965. Last year, however, the increase in cattle slaughter more than offset the additions from the calf crop and live cattle imports. A similar situation is expected to develop again this year and a further slight decline in the number of cattle on farms is likely in 1966.



CATTLE ON FARMS, BY CYCLES

YEAR OF CYCLE, BEGINNING FROM LOW IN NUMBERS ON FARMS.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 19- 66 (2) ECONOMIC RESEARCH SERVICE

*IN THIS ISSUE*

CATTLE CYCLE

CATTLE FEEDING MARGINS

LIVESTOCK ON FARMS JANUARY 1

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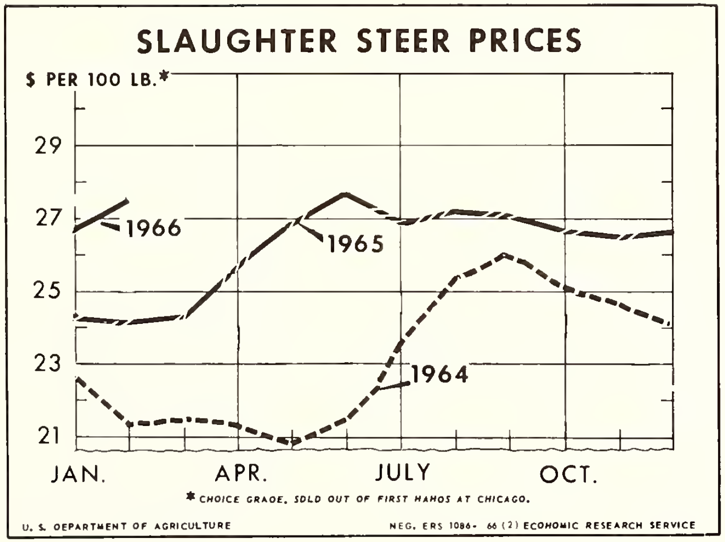
SLAUGHTER STEER PRICES

* CHOICE GRADE, SOLD OUT OF FIRST HANDS AT CHICAGO.

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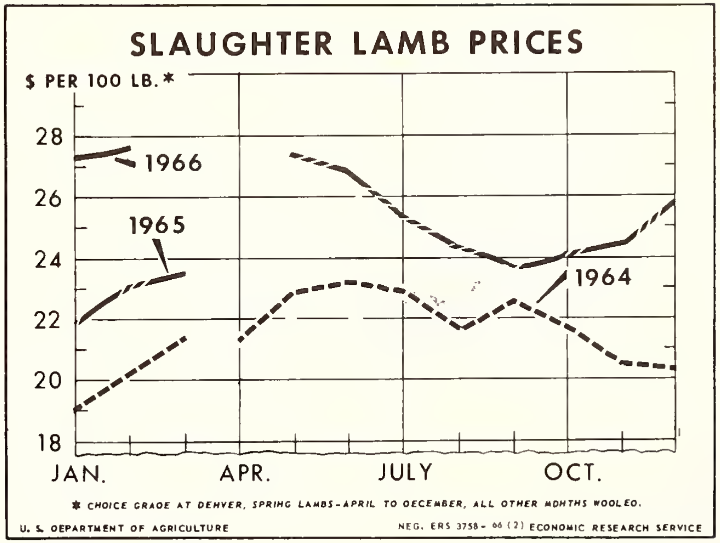
SLAUGHTER LAMB PRICES

* CHOICE GRADE AT DENVER, SPRING LAMBS-APRIL TO DECEMBER, ALL OTHER MONTHS WOOLED.

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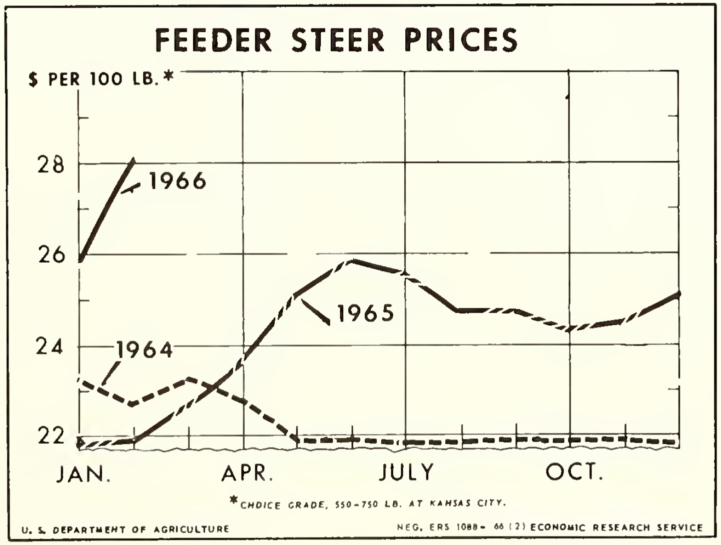
February is 4-week average.


FEEDER STEER PRICES

*CHOICE GRADE, 550-750 LB. AT KANSAS CITY.

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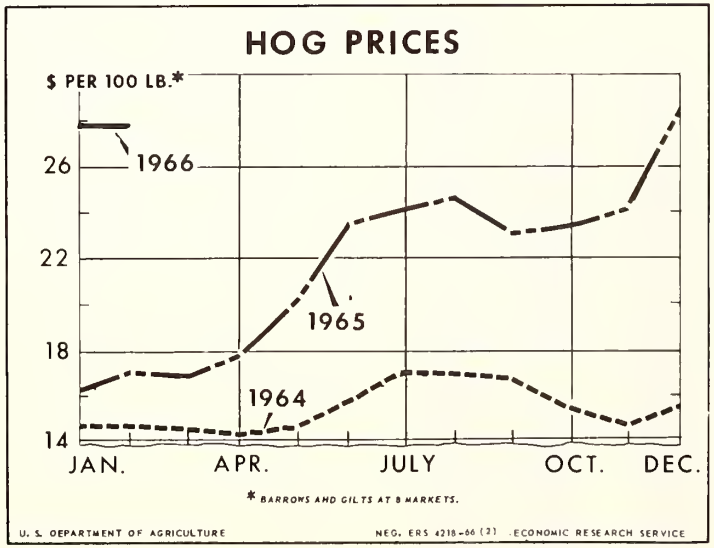
HOG PRICES

* BARROWS AND GILTS AT 8 MARKETS.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 4218-66 (2) ECONOMIC RESEARCH SERVICE

# LIVESTOCK AND MEAT SITUATION

Approved by the Outlook and Situation Board, March 3, 1966

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## SUMMARY

The inventory of cattle and calves declined 627,000 head during 1965 to 106.6 million head at the beginning of this year. This was the first time producers have reduced cattle herds since 1957. Cattlemen sent over 4 percent more animals to slaughter in 1965 than a year earlier--more than enough to offset the increase in last year's calf crop and larger live cattle imports. The dairy herd was reduced 6 percent. However, a small increase in the number of beef cattle on farms was partially offsetting.

Steer and heifer slaughter likely will remain large this year, but cow and calf slaughter is expected to decline. Thus, beef production will continue at a high level, probably not much different from 1965.

Fed cattle prices have remained rather steady since last fall and probably will show some additional strength this summer. However, the weight distribution of cattle on feed at the beginning of the year points to the possibility of a pickup in fed cattle marketings during late winter or early spring. Fed cattle weights have been increasing so far in 1966 and likely will average above year-earlier levels next spring and summer. So, some short-term price weakening could develop during the next couple of months.

Feeder cattle prices made a strong seasonal increase after only a brief dip last fall. Continued strong demand for feedlot placements and for additions to breeding herds together with the improved outlook for fed cattle prices is likely to result in some further price advances for feeder cattle through the summer months.

Cow slaughter under Federal inspection was up 25 percent in 1965, but a decrease is anticipated for this year because of the more favorable long-term outlook for cattle. Cow-calf operators likely will be more interested in building up their herds. Culling rates for dairy cows may continue above average in 1966, but are not likely to be as high as last year. Calf slaughter is already averaging below year-earlier levels and a moderate reduction is in prospect for the year.

Hog slaughter has averaged well below year-earlier levels since last fall. Around mid-year, however, hog slaughter likely will be above 1965 levels, reflecting the expansion in farrowings that began to develop in late 1965. With the turn around in production, a moderate increase in hog slaughter is now in prospect for the second half of 1966, with most of the increase occurring next fall.

Barrows and gilts averaged about $27.90 per 100 pounds in January and February. Hog prices probably will continue around these relatively high levels into the summer months, although some price weakness may develop late in the winter or early spring. The seasonal rise in prices likely will be small because of the increasing supply of hogs in prospect. Also, the peak price likely will be reached unusually early this year, perhaps before mid-year.

The 26.5 million sheep and lambs on farms at the beginning of this year was the smallest since records began in 1867. However, the decline of 1 percent during 1965 was smaller than experienced in other recent years.

Choice slaughter lambs at Denver have been averaging about $27.70 so far in 1966, and the outlook is for a slight increase into the spring months. Higher prices for lamb reflect smaller slaughter supplies, higher prices for other red meats, and increasing consumer incomes.

## REVIEW AND OUTLOOK

### Livestock Numbers Down

Inventories of all 3 species of meat animals--cattle, hogs, and sheep--were smaller on January 1, 1966, than a year earlier. Hog numbers were down 4 percent, while the numbers of both cattle and sheep on farms decreased only 1 percent.

The index of meat animals on farms and ranches was 110 (1957-59=100), down 1 point from a year earlier and 2 points from the record high of 112 on January 1, 1964. The index of milk cattle on farms was 78 percent of 1957-59, down 5 points from a year earlier. The poultry index stood at 99, same as a year earlier.

The inventory value of cattle, hogs, and sheep on farms and ranches January 1, 1966, was $17.0 billion, up about 22 percent or more than $3 billion from a year earlier. A sharp increase in the value per head for each species was more than enough to offset the decline in numbers. The value of all cattle totaled $14.2 billion, up 16 percent from a year earlier, while the value of hogs and pigs on farms--$2.3 billion--was up 76 percent. The number of hogs and

Table 1.--Number of livestock on farms and ranches January 1, United States, 1955 to date 1/

| Year | Number on farms January 1 | | | | Index numbers, by groups (1957-59=100) | | | |
|---|---|---|---|---|---|---|---|---|
| | All cattle and calves | All sheep and lambs | Hogs | Chickens | Total livestock and poultry | Meat animals | Milk cattle | Poultry |
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head | | | | |
| 1955 | 96,592 | 31,582 | 50,474 | 390,708 | 104 | 103 | 111 | 100 |
| 1956 | 95,900 | 31,157 | 55,354 | 383,690 | 104 | 104 | 107 | 98 |
| 1957 | 92,860 | 30,654 | 51,897 | 391,363 | 100 | 100 | 105 | 102 |
| 1958 | 91,176 | 31,217 | 51,517 | 374,281 | 98 | 98 | 100 | 97 |
| 1959 | 93,322 | 32,606 | 58,045 | 387,002 | 102 | 102 | 95 | 101 |
| 1960 | 96,236 | 33,170 | 59,026 | 369,484 | 104 | 104 | 93 | 96 |
| 1961 | 97,534 | 32,982 | 55,506 | 361,685 | 104 | 104 | 92 | 96 |
| 1962 | 100,002 | 31,320 | 57,000 | 368,452 | 106 | 106 | 91 | 97 |
| 1963 | 103,736 | 29,793 | 58,883 | 366,823 | 110 | 110 | 89 | 97 |
| 1964 | 106,743 | 28,021 | 58,119 | 369,959 | 112 | 112 | 86 | 97 |
| 1965 | 107,184 | 26,590 | 53,132 | 375,424 | 111 | 111 | 83 | 99 |
| 1966 2/ | 106,557 | 26,452 | 51,230 | 371,439 | 110 | 110 | 78 | 99 |

---

1/ Data for 50 States beginning in 1961.
2/ Preliminary.

Table 2.--Number of cattle and calves on farms and ranches January 1, by classes, United States, 1955 to date 1/

| Year | For milk | | | | Not for milk | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cows and heifers, 2 years and over | Heifers 1 to 2 years old | Heifer calves | Total | Cows and heifers, 2 years and over | Heifers, 1 to 2 years old | Calves | Steers, 1 year old and over | Bulls, 1 year old and over | Total |
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head |
| 1955 | 23,462 | 5,786 | 6,094 | 35,342 | 25,659 | 6,514 | 18,804 | 8,444 | 1,829 | 61,250 |
| 1956 | 22,912 | 5,407 | 5,890 | 34,209 | 25,371 | 6,206 | 18,869 | 9,483 | 1,762 | 61,691 |
| 1957 | 22,325 | 5,267 | 5,699 | 33,291 | 24,534 | 5,926 | 18,405 | 8,991 | 1,713 | 59,569 |
| 1958 | 21,265 | 5,126 | 5,571 | 31,962 | 24,165 | 5,903 | 18,275 | 9,252 | 1,619 | 59,214 |
| 1959 | 20,132 | 5,050 | 5,526 | 30,708 | 25,112 | 6,557 | 19,407 | 9,931 | 1,607 | 62,614 |
| 1960 | 19,527 | 5,079 | 5,575 | 30,181 | 26,344 | 7,036 | 20,425 | 10,574 | 1,676 | 66,055 |
| 1961 | 19,361 | 5,063 | 5,550 | 29,974 | 27,102 | 7,069 | 20,705 | 10,977 | 1,707 | 67,560 |
| 1962 | 19,167 | 4,965 | 5,418 | 29,550 | 28,305 | 7,333 | 22,050 | 11,060 | 1,704 | 70,452 |
| 1963 | 18,679 | 4,823 | 5,149 | 28,651 | 29,970 | 7,909 | 23,330 | 12,129 | 1,747 | 75,085 |
| 1964 | 18,088 | 4,558 | 4,993 | 27,639 | 31,811 | 8,326 | 24,575 | 12,574 | 1,818 | 79,104 |
| 1965 | 17,592 | 4,364 | 4,745 | 26,701 | 32,784 | 8,547 | 25,306 | 11,985 | 1,861 | 80,483 |
| 1966 2/ | 16,607 | 4,068 | 4,486 | 25,161 | 32,636 | 8,341 | 25,927 | 12,668 | 1,824 | 81,396 |

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1/ Data for 50 States beginning in 1961.
2/ Preliminary.

pigs on hand was down 4 percent but the value per head rose 82 percent. The sheep inventory increased 24 percent in value, to $524 million.

The decline in livestock numbers in 1965 was brought about by a continuation of the downturn in hog and sheep numbers that began in 1964 and 1960, respectively, plus a slight decrease in cattle numbers last year after 7 years of successive buildup.

Livestock prices rose sharply in the second half of 1965 and are expected to remain favorable to producers this year. This probably will encourage some expansion in livestock numbers during 1966. Hog numbers are already being expanded and a slight increase is expected in sheep inventories. However, the total cattle inventory is expected to decline again in 1966 even though beef cattle likely will stay about the same or increase slightly. (For a discussion of the cattle cycle, see page 25.)

## CATTLE

### Slaughter Continues Large

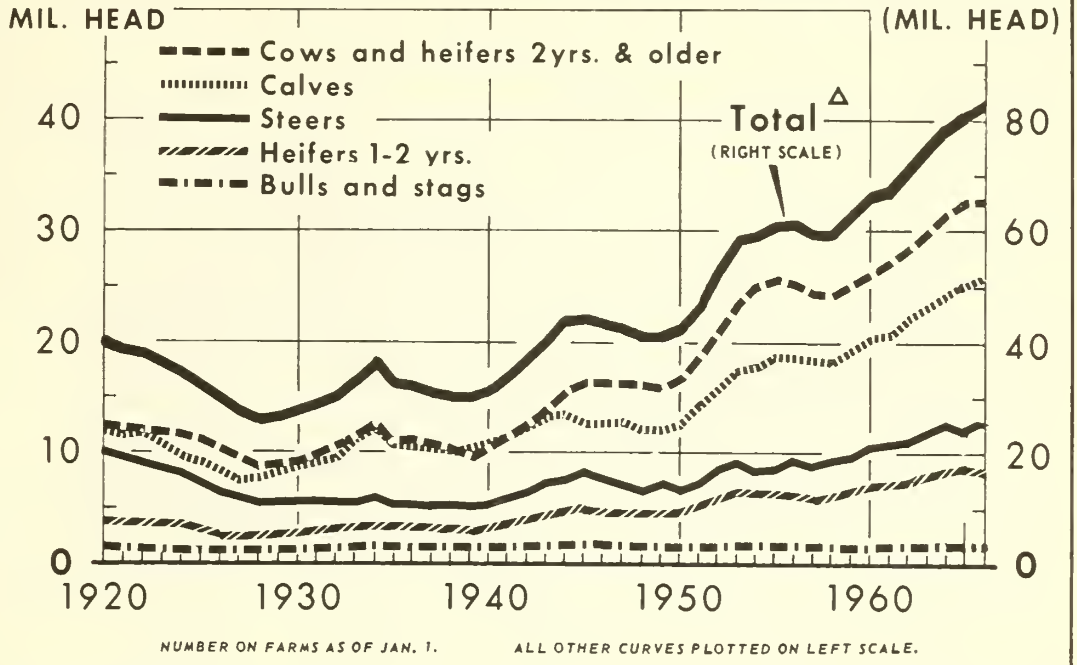
Cattle slaughter under Federal inspection totaled 2.3 million head in January, up more than 6 percent from a year earlier. However, the daily slaughter rate rose only slightly because of 1 more slaughtering day. Heifers accounted for a major proportion of the increase in slaughter from a year earlier. During January heifer slaughter was up 25 percent from a year earlier, cow slaughter was up 14 percent, but the number of steers slaughtered was down 4 percent.

Beef production was up over 7 percent in January and is expected to continue at or above year-earlier levels through mid-year. Fed beef production likely will account for all of the expected increase because supplies of non-fed beef are expected to be smaller than in the first half of last year.

### Feeder Supply Up Slightly; Prices Up Sharply

The supply of young beef cattle totaled 46.9 million head on January 1, up 1.1 million head or 2 percent above a year earlier. Steers, 1 year and older and beef calves were up 6 percent and 2 percent, respectively, but heifers 1 to 2 years old were down 2 percent. However, the number of young beef animals not on feed January 1 was up only around 600,000 head. In addition, this increase consisted entirely of calves; the combined total of steers, 1 year and older, and of heifers, 1 to 2 years, not in feedlots on January 1 was unchanged from a year earlier. However, there is a major difference from a year earlier in the composition of the older animals not on feed. Steer numbers rose about 500,000 head while heifers declined about 500,000 head.

## BEEF CATTLE INVENTORY*



* NUMBER ON FARMS AS OF JAN. 1. △ ALL OTHER CURVES PLOTTED ON LEFT SCALE.

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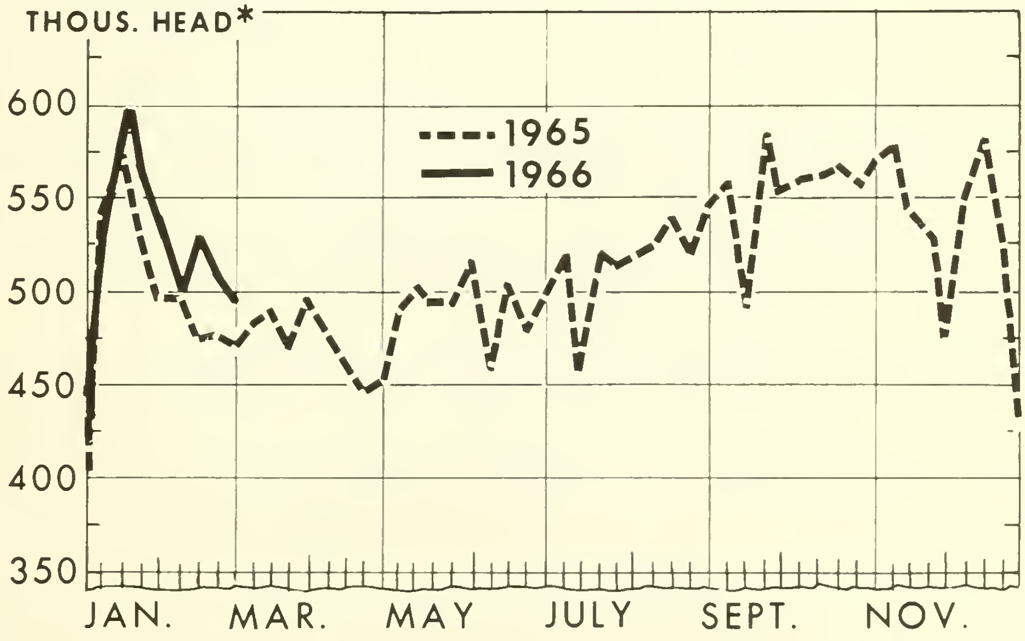
## CATTLE SLAUGHTER



* FEDERALLY INSPECTED.

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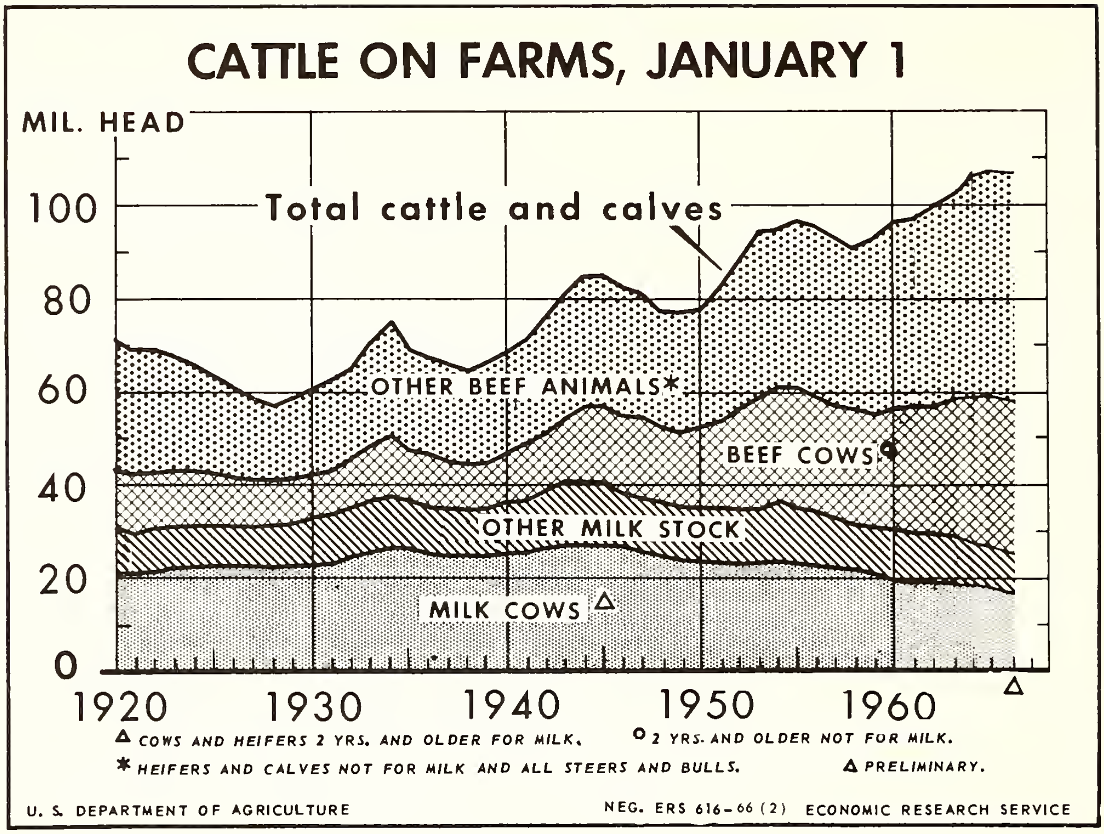


The favorable outlook for the industry for the next several years could result in a substantial withholding of heifers from slaughter for additions to breeding herds. In addition, imports of feeder cattle this year are not expected to differ greatly from the 1.1 million head of 1965. Thus, the overall supply of cattle available for feedlot placements during 1966 may change little from 1965.

In 1965 about 75 percent of commercial steer and heifer slaughter is estimated to have moved through feedlots. Although the number of available feeder cattle changed little in 1966, a greater proportion may be moved through feedlots before slaughter. Also, larger placements may result from reducing the number of young cattle on farms. Consequently, slaughter of non-fed animals is expected to be down substantially.

Feeder cattle prices made a strong seasonal increase this winter after only a slight decline last fall. In January, Choice feeder steers (550-750 pounds) at Kansas City averaged $26.29 per 100 pounds, up $1.86 from the November 1965 average and more than $4.00 above year-earlier levels. Prices have continued strong and by late February were up more than $2 from a month earlier. Feeder cattle prices probably will continue strong this summer and show some further advance because the total supply of feeders is only slightly larger than a year ago. Also, demand by both feeders and ranchers is expected to continue strong. With a smaller calf crop in prospect this year, prices next fall may hold relatively stable. As a result, producers may be slow to contract their feeder cattle much in advance of actual delivery during the coming months.

Table 3.--Number of cattle and calves slaughtered under Federal inspection, by class, United States, by months, 1965 to date

| Month | Steers | | Heifers | | Cows | | Calves | |
|---|---|---|---|---|---|---|---|---|
| | 1965 | 1966 | 1965 | 1966 | 1965 | 1966 | 1965 | 1966 |
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head |
| January | 1,198 | 1,150 | 442 | 551 | 500 | 572 | 404 | 382 |
| February | 1,080 | | 401 | | 415 | | 384 | |
| March | 1,247 | | 496 | | 454 | | 473 | |
| April | 1,116 | | 455 | | 420 | | 411 | |
| May | 1,134 | | 439 | | 439 | | 340 | |
| June | 1,181 | | 468 | | 535 | | 378 | |
| July | 1,135 | | 481 | | 580 | | 387 | |
| August | 1,127 | | 556 | | 610 | | 428 | |
| September | 1,097 | | 616 | | 652 | | 478 | |
| October | 1,052 | | 614 | | 686 | | 492 | |
| November | 1,034 | | 563 | | 700 | | 470 | |
| December | 1,088 | | 535 | | 655 | | 433 | |
| Total 1/ | 13,486 | | 6,066 | | 6,646 | | 5,076 | |

1/ Computed from unrounded totals.

## Cow Slaughter to Decline; Prices Up Sharply

Cow slaughter increased sharply in 1965 and continued 14 percent above year-earlier levels in January. However, cow slaughter may drop below 1965 levels by mid-year and then stay below for the remainder of the year. For the year, therefore, cow slaughter could average moderately below 1965 levels.

In view of current price levels for feeder cattle and the generally favorable long-term outlook, beef herds may begin to build up this year. If so, culling rates in beef herds likely will be reduced and beef cow slaughter may be down moderately from 1965. Slaughter of dairy animals also is expected to be smaller than in 1965 when culling rates were heavy.

In 1965, cow slaughter was up 25 percent. This increase, especially after mid-year, resulted primarily from the sharp increase in dairy herd reductions. For the year, dairy cows were reduced by almost 1 million head while beef cows were reduced by only 144,000 head.

Cow prices averaged moderately above 1964 levels throughout most of 1965--in spite of the substantial increase in slaughter. During January and February 1966, they then rose sharply. In late-February, Utility cows at Chicago averaged

Table 4.--Selected prices per 100 pounds of cattle, by months, 1965-66

| Month | Chicago |  |  |  | Kansas City |  |  |  |
|---|---|---|---|---|---|---|---|---|
|  | Choice steers |  | Utility cows |  | Good feeder steers 550-750 lb. |  | Choice feeder steer calves |  |
|  | 1965 | 1966 | 1965 | 1966 | 1965 | 1966 | 1965 | 1966 |
|  | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. |
| January | 24.28 | 26.87 | 12.80 | 15.83 | 19.56 | 24.01 | 22.85 | 28.19 |
| February | 24.02 | 27.79 | 13.37 | 17.72 | 19.41 | 25.40 | 23.16 | 30.96 |
| March | 24.31 |  | 13.89 |  | 20.05 |  | 23.92 |  |
| April | 25.63 |  | 14.24 |  | 21.19 |  | 25.14 |  |
| May | 26.88 |  | 14.96 |  | 22.27 |  | 25.75 |  |
| June | 27.68 |  | 15.67 |  | 22.88 |  | 26.10 |  |
| July | 26.88 |  | 15.49 |  | 22.68 |  | 25.85 |  |
| August | 27.22 |  | 15.32 |  | 22.52 |  | 25.41 |  |
| September | 27.08 |  | 14.96 |  | 22.50 |  | 26.06 |  |
| October | 26.74 |  | 14.52 |  | 22.50 |  | 26.12 |  |
| November | 26.46 |  | 13.88 |  | 22.47 |  | 26.15 |  |
| December | 26.60 |  | 14.37 |  | 23.27 |  | 27.13 |  |
| Average | 26.19 |  | 14.46 |  | 21.78 |  | 25.30 |  |

Compiled from Market News, Livestock Division, C&MS.

around $18.00 per 100 pounds, more than $3 above the December average and over $4.50 above a year earlier. Although current supplies of processing meats are down slightly from fall levels, most of the price strength came from increased demand for breeder cows. Cow prices likely will show some additional seasonal price strength into spring and average well above year-earlier levels through 1966. Beef imports are expected to increase this year and the domestic supplies of pork are also expected to rise later in the year. These increases, however, likely will not offset the expected decline in domestic cow beef resulting from the strong demand for breeder cows.

## Calf Crop Down in 1966

The 1966 calf crop is expected to be down about 2 percent from the 43.1 million head in 1965. Most of the decline, however, will be in dairy calves.

After declining for 3 years, calf slaughter, which rose 6 percent in 1964 showed an additional increase in 1965. However, calf slaughter declined late in the year and in the fourth quarter averaged 4 percent below a year earlier. This trend has continued into 1966. In January and February, federally inspected calf slaughter averaged about 6 percent below year-earlier levels.

A strong demand is expected for calves for both feedlot placement and for holding back for breeding herds. As a result, calf slaughter in 1966 is expected to be down much more than the expected decrease in the 1966 calf crop.

## Fed Cattle Marketings Up; Prices Strong

Fed cattle marketings during January-March likely will average above both the fourth quarter and year-earlier levels. The January 1 inventory of cattle on feed in 32 States totaled 9.8 million head, up 5 percent from a year earlier. Cattle feeders stated intentions to market 4 percent more cattle out of feedlots during the first quarter than the 4.3 million marketed during the same period a year earlier. Based on weight groupings of cattle on feed January 1 and subsequent marketings in 5 States (California, Arizona, Texas, Colorado, and Nebraska), it appears that these intentions likely will be met. January fed cattle marketings in these 5 States totaled 714,000 head, up 11 percent from the year earlier. In 1965, these States accounted for 44 percent of the fed cattle marketings during the first quarter.

The number of fed cattle marketed this spring is expected to average about the same as during the first quarter and be moderately above the 4.4 million marketed a year earlier. Feedlot placements during January-March likely will average about the same to slightly higher than a year earlier. However, of more importance to spring slaughter supplies is the fact that on January 1, the number of steers and heifers on feed in the weight groupings that will supply the bulk of slaughter supplies during April-June were up substantially. The combined number of steers weighing 700-900 pounds and heifers weighing 500-700 pounds were up about 15 percent from 1965.

Fed beef production in the second quarter likely will be up more than the increase in the number of cattle marketed. Although fed cattle likely will continue to be marketed at relatively light weights through spring, average weights have increased in recent months and likely will average above year-earlier levels.

An additional factor, which will contribute to larger fed beef supplies during the spring, is the likely increase in the number of steers moving through feedlots. Last year, steer slaughter was down substantially, both for the spring quarter and for the entire year. However, with more steers on feed--up 10 percent, in the weight group that will supply the bulk of slaughter supplies this spring--fed steer slaughter this spring likely will exceed year-earlier levels.

Even though fed beef supplies are expected to be up moderately this spring, non-fed steer and heifer beef production is likely to average well below year-earlier levels this winter and spring, and for the entire year. Packer buyers likely will not be able to compete with cattle feeders as effectively as last spring for young steers and heifers. In late February, Good feeder steers, weighting 550-750, at Kansas City averaged $26.18 per 100 pounds. This was less than $1 below the price of Choice slaughter steers at the same market.

Choice steers at Chicago averaged $26.87 during January, $2.60 above year-earlier levels, and 30 cents above the December 1965 average. Prices increased in February and for the week ended February 24, averaged $28.29. Some short-term weakness may develop late this winter or early spring in response to increased supplies. However, fed cattle prices probably will show some additional strength late in the spring and into the summer. Although fed beef supplies likely will be up 4 to 6 percent, substantially smaller supplies of non-fed beef and continued small supplies of pork will be supporting factors in fed cattle prices.

## Fed Cattle Supplies to Continue Large After Mid-year

Summer and fall marketings of fed cattle depend largely on winter and spring marketings and placements, and on the number of lighter weight cattle on feed on January 1. The number of light weight cattle on feed on January 1, (steers weighing less than 700 pounds and heifers weighing less than 500 pounds) was down 2 percent from a year earlier. Prospects for continued strong fed-cattle prices through the year likely will result in large placements this winter and spring. However, with only a slight increase in the number of young animals not on feed January 1 and some increase in demand for heifers for herd additions, placements likely will not differ greatly from those the past 2 years. If this occurs, fed cattle marketings in the second half of 1966 likely will average about the same as a year earlier. On balance, the level of marketings will depend primarily on how well feedlot operators are able to bid heifers away from cow-calf operators and if the proportion of young animals moved through feedlots can be increased this year. Fed beef production, however, is expected to be up relative to marketings as a result of more steers moving through feedlots and heavier weights.

Fed cattle prices are expected to continue strong next summer and fall and average moderately above the $26.83 per 100 pounds (Choice steers, Chicago) received during July-December 1965. Although fed beef supplies may not differ greatly from a year earlier, smaller supplies of lower grade beef are expected to give strength to fed cattle prices. However, large supplies of broilers and turkeys and increasing supplies of pork will tend to put beef in a less competitive position at that time.

## HOGS

## Hogs on Farms Down 4 Percent; Value Up Sharply

On January 1, 1966, there were 51.2 million hogs and pigs on farms, 4 percent fewer than a year earlier. This was the third successive decline in the beginning year inventory and the smallest inventory since 1955.

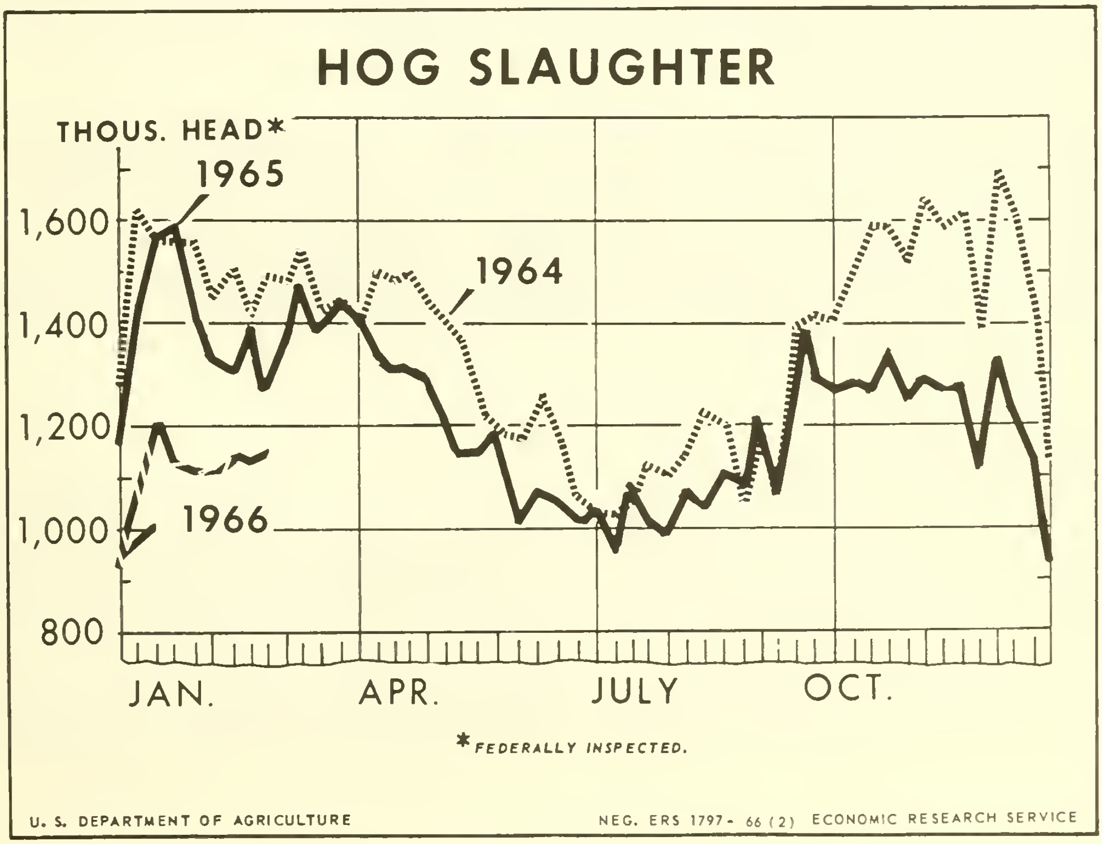
The inventory was down from a year earlier in all regions except the South Central and South Atlantic where it was up 1 and 2 percent, respectively. In the 12 North Central States, which usually account for about three-fourths of all hogs, the inventory was down 5 percent from a year earlier.

Table 5.--Selected prices per 100 pounds of livestock, by months, 1965-66

| Month | Barrows and gilts at 8 markets 1/ | | Sows at 8 markets 1/ | | Choice lambs at Denver | | Choice feeder lambs at S. St. Paul | |
|---|---|---|---|---|---|---|---|---|
| | 1965 | 1966 | 1965 | 1966 | 1965 | 1966 | 1965 | 1966 |
| | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. |
| January | 16.06 | 27.93 | 13.10 | 23.84 | 21.98 | 27.72 | 21.74 | 27.24 |
| February | 17.01 | 27.80 | 14.62 | 25.09 | 23.08 | 27.62 | 23.18 | 28.27 |
| March | 16.98 | | 15.01 | | 23.53 | | 23.08 | |
| April | 17.63 | | 15.26 | | 2/ | | 2/ | |
| May | 20.29 | | 17.44 | | 27.40 | | 22.75 | |
| June | 23.38 | | 20.10 | | 26.98 | | 20.73 | |
| July | 24.27 | | 20.83 | | 25.32 | | 22.25 | |
| August | 24.67 | | 22.32 | | 24.24 | | 22.25 | |
| September | 22.92 | | 20.57 | | 23.76 | | 22.33 | |
| October | 23.36 | | 20.98 | | 24.16 | | 22.38 | |
| November | 24.33 | | 21.37 | | 24.57 | | 23.44 | |
| December | 28.07 | | 22.94 | | 25.80 | | 25.66 | |
| Average | 21.30 | | 19.03 | | 24.62 | | 22.71 | |

1/ Average for all weights at Midwest markets. 2/ No prices quoted.

Compiled from Market News, Livestock Division, C&MS.



The average per-head value of hogs on January 1 this year was $45.00, the highest on record. This compares with $24.70 a year earlier. As a result, the total value of hogs on farms January 1, 1966, was $2,303 million, up 76 percent from January 1, 1965. The value of the January 1 hog inventory was larger only in 1948 at which time the 54,590,000 head on farms were valued at $2,340 million.

## Decline in Hog Slaughter Continues

Hog slaughter in January and February continued substantially below year-earlier levels, reflecting the reduction in last fall's pig crop and the withholding of gilts for breeding. In January, federally inspected hog slaughter totaled 4.7 million head, down 22 percent from the 6.0 million head slaughtered a year earlier, while weekly slaughter in February averaged 14 percent below year earlier. Hog slaughter is expected to continue below year-earlier levels during the coming months. However, the margin below a year earlier will narrow in the spring, reflecting the relative increase in the late-fall pig crop.

The sharp reduction in slaughter supplies has resulted in continued strength in hog prices. Barrows and gilts at 8 markets averaged $27.90 per 100 pounds in both January and February. Sow prices, too, were near record levels in January, at $23.84 per 100 pounds, and in February averaged $25.09. Hog prices are expected to continue strong during the spring in response to smaller supplies. Although prices may dip in late winter or early spring as a result of the seasonal increase in slaughter supplies, the decline likely will be quite modest and of short duration.

Prices are expected to increase seasonally in the spring, with peak prices occurring in late spring or early summer. In view of the current price level and the narrowing in the slaughter gap in the spring months from a year earlier, the usual seasonal rise is likely to be moderate. However, storage holdings of pork are much lower than normal. On January 31, there were only 156.7 million pounds of pork in cold storage. This was half as much as a year earlier and the smallest January 31 stocks of record. Furthermore, seasonal additions to cold storage during the coming months will not likely equal year-earlier levels.

## Production to Increase; Prices to Decline Later in 1966

Producer intentions on December 1 pointed to an increase in farrowings of 6 percent during December 1965-May 1966. If production is in line with these intentions, the December-May pig crop will total about 46 million head. This would be 7 percent larger than a year earlier, but about 4 percent smaller than the 1964 spring crop. Pigs born in these months will provide most of the hogs for slaughter during the second half of 1966. However, with the sharp increase in hog prices late last fall and the more-than-expected cutback in slaughter

Table 6.--Price of barrows and gilts and commercial production of pork and all red meat, by months, 1964 to date 1/

| Month | Price of barrows and gilts per 100 pounds Chicago | | | Commercial production | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Pork | | | All red meat | | |
| | 1964 | 1965 | 1966 | 1964 | 1965 | 1966 | 1964 | 1965 | 1966 |
| | Dol. | Dol. | Dol. | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. |
| Jan. | 14.81 | 16.33 | 28.21 | 1,162 | 1,016 | 828 | 2,822 | 2,690 | 2,609 |
| Feb. | 14.75 | 17.21 | | 973 | 871 | | 2,393 | 2,352 | |
| Mar. | 14.56 | 17.22 | | 1,052 | 1,075 | | 2,594 | 2,778 | |
| Apr. | 14.33 | 17.96 | | 1,073 | 972 | | 2,716 | 2,523 | |
| May | 15.06 | 20.71 | | 921 | 803 | | 2,553 | 2,350 | |
| June | 16.17 | 23.65 | | 868 | 804 | | 2,584 | 2,455 | |
| July | 17.39 | 24.54 | | 853 | 754 | | 2,537 | 2,400 | |
| Aug. | 17.37 | 24.93 | | 814 | 807 | | 2,428 | 2,512 | |
| Sept. | 17.06 | 23.16 | | 939 | 915 | | 2,625 | 2,687 | |
| Oct. | 15.69 | 23.88 | | 1,140 | 920 | | 2,924 | 2,667 | |
| Nov. | 14.70 | 24.89 | | 1,106 | 935 | | 2,697 | 2,638 | |
| Dec. | 15.86 | 28.44 | | 1,118 | 863 | | 2,814 | 2,570 | |
| Year | 15.54 | 21.53 | | 12,019 | 10,736 | | 31,687 | 30,625 | |

1/ Beginning January 1966 includes custom slaughtering of animals for farmers. Data not comparable with other years.

during December-February, late-spring farrowings may easily exceed the intentions stated by producers on December 1. (The report on December-February farrowings and indicated farrows for March-May in 10 States will be issued March 22.) In any event, slaughter supplies are expected to go above year-earlier levels during the summer and average moderately above year-earlier levels during the fall. Even if late-spring farrowings are up more than presently indicated, slaughter rates would likely not be up substantially until late in the year or early in 1967.

Hog prices are expected to weaken after mid-year in response to the expected increase in slaughter supplies and big supplies of poultry. Prices likely will average below the relatively high year-earlier levels though most of the decline will occur in the fourth quarter. The probability of smaller beef supplies, primarily processing beef, will tend to dampen the reduction in pork prices. Although prices next fall will appear low relative to current levels, hog production will continue profitable through 1966.

During the coming months hog producers should be alert to the danger of overexpansion next fall and in the spring of 1967. A substantial expansion in farrowings this fall and in 1967 would force hog prices in 1967 to unprofitable levels to producers.

## Feeder Pigs

Increased specialization in agriculture in recent years has resulted in a substantial growth in the raising and selling of feeder pigs. It is estimated that in 1964 over one-tenth of the barrows and gilts slaughtered had been purchased as feeder pigs.

Demand for feeder pigs has grown considerably with the strong market for slaughter hogs that began to develop early last year. As a result, prices of feeder pigs have increased sharply in recent months and likely will show continued strength through this spring. The increase in feeder pig prices likely will bring about an expansion of feeder pig production next fall and in the spring next year. However, hog prices then are expected to be sliding downward in response to larger slaughter supplies. As a result, prices of feeder pigs will decline by next fall and in the spring next year, and returns to feeder pig raisers will be substantially smaller.

Table 7.--Relationship between the price of a 40 pound feeder pig, including variable costs and the expected price for slaughter hogs 1/

| Corn cost (bushel) | Market price expected for 230 pound slaughter hogs in Dollars per 100 pounds | | | | | | |
|---|---|---|---|---|---|---|---|
| | 14 | 16 | 18 | 20 | 22 | 24 | 26 |
| 1.00 | 13.90 | 18.50 | 23.10 | 27.70 | 32.30 | 36.90 | 41.50 |
| 1.10 | 12.40 | 17.00 | 21.60 | 26.20 | 30.80 | 35.40 | 40.00 |
| 1.20 | 10.90 | 15.50 | 20.10 | 24.70 | 29.30 | 33.90 | 38.50 |

1/ Assumes feed costs for finishing 40 pound pig to 230 pounds as equivalent to 15.3 bushels of corn while other costs are figured at $3.00 per head. With corn at $1.00 per bushel, feed costs make up approximately 85 percent of total cost.

It is difficult for hog raisers to know how much they can pay for feeder pigs because of uncertainty about future slaughter hog prices. Feeder pigs purchased this spring will move to slaughter in the fall. Thus, producers should make an estimate of what they expect to receive for slaughter hogs then before purchasing feeder pigs now. After estimating prices for slaughter animals, feeders can calculate feed and other production costs and determine the breakeven price they can pay for feeder pigs. Table 7 shows the range of prices which can be paid for feeder pigs and still cover variable costs. The breakeven price varies considerably depending on the market price of slaughter hogs and the cost of feed. For example, if the expected market price is $24 per 100 pounds, and corn is worth $1.00 per bushel, one could afford to pay $36.90 for a 40-pound feeder pig and still recover variable costs.1/ However, if the expected market price is $16 per 100 pounds and corn is worth $1.20 per bushel, the breakeven price for a 40-pound feeder pig would be $15.50.

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1/ This assumes that feed costs for finishing a 40-pound pig to 230 pounds are equivalent to 15.3 bushels of corn while other costs are figured at $3.00 per head.

In considering the breakeven price for feeder pigs, it should be noted that table 7 does not take into account any returns to labor and management nor losses that may occur due to deaths, etc. However, the breakeven prices allow for other variable costs of $3.00 per head. If these other costs are less than $3 per head, the breakeven price a producer could pay for a feeder pig would be increased by the amount of the reduction. Conversely, if other costs are more than $3 per head, the breakeven price would be reduced by a corresponding amount.

In view of the uncertain conditions that are likely to prevail next fall and winter, producers should review their operations closely during the coming months.

## SHEEP AND LAMBS

Sheep and lambs on farms January 1, 1966, totaled 26.5 million head--down almost 1 percent from a year earlier and the smallest number since records began in 1867. This slight decline marked the sixth consecutive year that sheep numbers declined. However, the decline in 1965 was much smaller than in other recent years when the inventory declined from 5 to 6 percent each year.

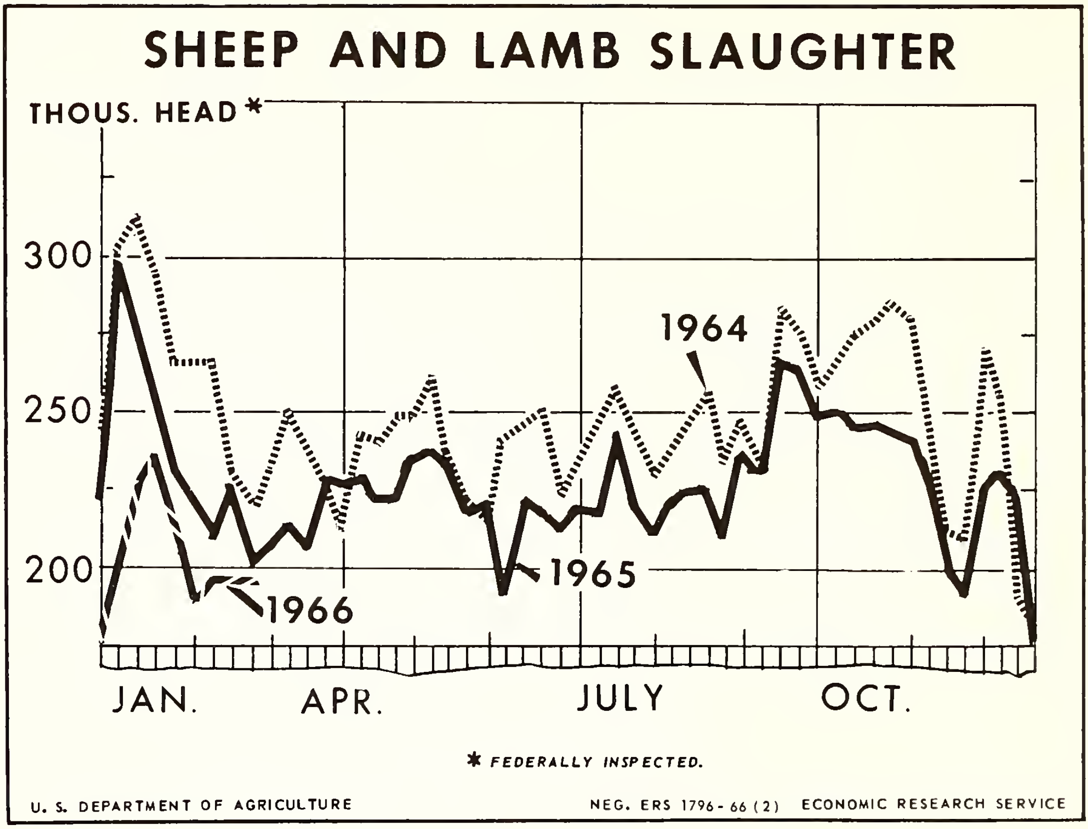
The decline in the overall inventory last year consisted of a 1 percent decline in the number of stock sheep and a 1 percent increase in the number of lambs on feed. In total, there were 18.1 million ewes 1 year old and over on January 1 this year, down 3 percent from January 1, 1965. The number of ewe lambs, however, increased from 3.0 to 3.3 million head. The number of ewes in the stock sheep inventory at the first of the year, therefore, totaled 21.4 million head, 1 percent less than a year earlier.

The change in sheep numbers was not consistent throughout the country. Stock sheep numbers were up 1 percent in the 13 Western sheep States (11 Western States, plus South Dakota and Texas) but were down 4 percent in the 35 Native States. However, of importance to lamb production in 1966 was that the numbers of ewes 1 year old and older were down in both areas--3 percent in the Western States and 4 percent in the Native States. Only Kansas in the Native States and Arizona in the Western States showed an increase in number of ewes 1 year old and older. Of the 35 Native States, only Kansas, Nebraska, and Oklahoma gained over a year earlier in total number of stock sheep. In all other Native States, the inventory held steady or declined. Within the Western sheep States, stock sheep either declined or held steady in all States except Texas, Colorado, and Arizona.

### 1966 Lamb Crop To Be Down

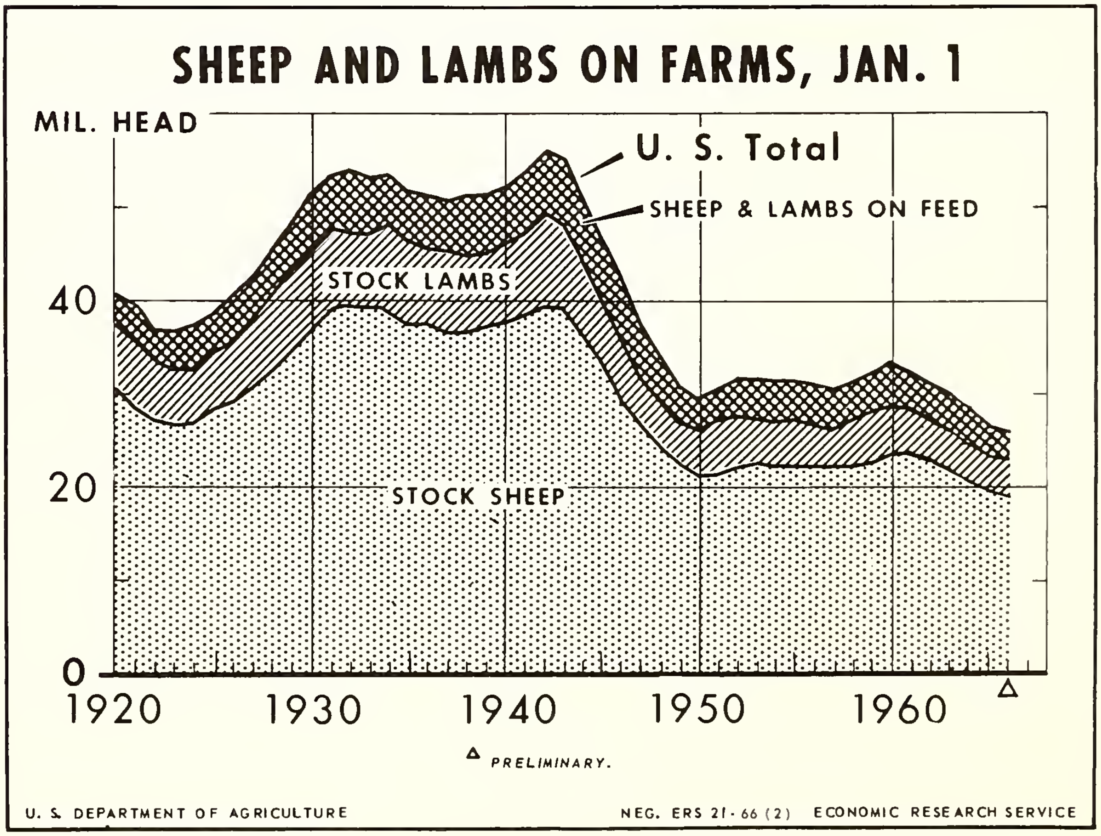
The 1966 lamb crop is expected to be 1 to 3 percent smaller than the 17.6 million head produced last year because of the reduction in the number of ewes. The magnitude of the decline in the lamb crop will depend to an important extent on weather conditions at lambing time, particularly in the Western States.

A factor pointing to an average or above average lambing percentage this year is the good condition of sheep and lambs in the Western States, reported


SHEEP AND LAMB SLAUGHTER

* FEDERALLY INSPECTED.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1796-66 (2) ECONOMIC RESEARCH SERVICE


SHEEP AND LAMBS ON FARMS, JAN. 1

△ PRELIMINARY.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 21-66 (2) ECONOMIC RESEARCH SERVICE

Table 8.--Calf and lamb crops, 1958 to date

| Year | Breeding stock on farms January 1 | | Annual crops | | | |
|---|---|---|---|---|---|---|
| | | | Number | | Ratio to breeding stock on farms January 1 1/ | |
| | Cows and heifers 2 years old and older | Ewes 1 year old and older | Calves | Lambs 2/ | Calves | Lambs |
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head | | |
| 1958 | 45,430 | 21,208 | 38,860 | 20,686 | 86 | 98 |
| 1959 | 45,244 | 21,832 | 38,938 | 21,120 | 86 | 97 |
| 1960 | 45,871 | 22,406 | 39,353 | 21,283 | 86 | 95 |
| 1961 | 46,463 | 22,402 | 40,019 | 21,271 | 86 | 95 |
| 1962 | 47,472 | 21,539 | 41,027 | 20,284 | 86 | 94 |
| 1963 | 48,649 | 20,543 | 41,826 | 19,224 | 86 | 94 |
| 1964 | 49,899 | 19,462 | 43,103 | 17,905 | 86 | 92 |
| 1965 | 50,376 | 18,702 | 43,140 | 17,557 | 86 | 94 |
| 1966 | 49,243 | 18,133 | | | | |

1/ Not strictly a birth rate. Figure represents crop as a percentage of the January inventory and not the number giving birth during the year.

2/ Lambs living July 1, or sold before June 1 in the Native States and lambs docked or branded in the Western Sheep States.

at 84 on February 1. This was up 3 points from both a year earlier, and average and the highest level since 1958.

## Smaller Slaughter, Strong Prices

Federally inspected sheep and lamb slaughter totaled 906,700 head in January, down almost 15 percent from a year earlier. The reduction in slaughter continued in February when slaughter averaged almost 10 percent below the same period a year earlier. This reduction in slaughter occurred even though the number of sheep and lambs on feed January 1 was 1 percent larger than a year earlier and the number of heavier weight lambs in 7 States was up appreciably. It appears that a number of the ewe lambs on feed January 1 are being diverted from slaughter to breeding flocks.

On balance, lamb slaughter supplies in 1966 are expected to average below year-earlier levels in response to the smaller lamb crop and the anticipated continued withholding of ewe lambs for breeding flocks. To hold the inventory even during 1966, assuming average lambing and death rates, slaughter would have to be down around 2-3 percent during the year. For the inventory to increase 1 percent during the year, slaughter would have to decline by at least 4 percent.

The extent of the decline in slaughter will depend primarily on producers' long-run outlook for sheep as compared to other alternatives. The lamb crop in 1965 was down 2 percent from 1964; however, commercial slaughter of sheep and lambs was down 11 percent. Slaughter declined more than the lamb crop primarily because of the larger-than-usual withholding of ewe lambs for additions to breeding herds. The situation likely will be similar this year as producers continue to respond to favorable lamb prices and build up breeding herds moderately. As a result, the inventory of sheep and lambs likely will show a slight increase during the year.

Choice slaughter lambs at Denver averaged $27.72 per 100 pounds in January, up about $2.00 from the previous month and about $6 above a year earlier. Prices continued strong in February and averaged around month earlier levels.

With prospects for smaller marketings, lamb prices are expected to continue strong and average above current levels into the spring months. The margin over prices last year, however, will narrow considerably. Last year, lamb prices rose sharply during April and May and averaged over $27 during May. With Easter on April 10 this year, marketing of spring lambs will be well underway. However, the volume will be a little smaller than last year, which will give additional strength to prices.

Feeder lamb prices also have increased substantially in recent months. Prices of feeder lambs averaged $27 per 100 pounds at Denver in January, up over $6 from a year earlier. Compared with a year earlier, prices of feeder lambs generally have been up more than prices of slaughter lambs. Consequently, feeding margins have been narrowed substantially and returns to lamb feeders will depend primarily on their ability to make feeding gains economically.

## U. S. RANKS 5TH IN WORLD MEAT CONSUMPTION

Consumption of red meats in the United States averaged 175 pounds per person in 1964, the fifth highest in the world. Australia was the leader with an average of 226 pounds per person. Uruguay (221 pounds), New Zealand (219 pounds), and Argentina (177 pounds) also had consumption levels exceeding the U. S. average (table 9).

The United States ranked fourth in world beef and veal consumption and fifth in consumption of pork during 1964 (latest year data were available for all countries). However, U. S. consumption of lamb and mutton averaged only 4 pounds per person which was well down in world rankings. Per capita consumption in New Zealand, for instance, was 95 pounds.

Beef and veal consumption in 1964 was larger than other red meats in most areas of the world except in Europe, where pork consumption exceeded beef and veal in many countries.

Table 9.--Per capita red meat consumption in specified countries, beef and veal, pork; lamb and mutton, and total consumption, 1956-60 average and 1964 1/

| Continent and country | Beef and Veal | | Pork | | Lamb and Mutton | | Total Meat | |
|---|---|---|---|---|---|---|---|---|
| | Average 1956-60 | 1964 | Average 1956-60 | 1964 | Average 1956-60 | 1964 | Average 1956-60 | 1964 |
| | Pounds | Pounds | Pounds | Pounds | Pounds | Pounds | Pounds | Pounds |
| North America: | | | | | | | | |
| Canada 2/ 3/ | 77 | 89 | 51 | 55 | 2 | 3 | 135 | 147 |
| United States 2/ 4/ | 91 | 106 | 64 | 65 | 4 | 4 | 159 | 175 |
| Mexico | 26 | 24 | 13 | 12 | 3 | 3 | 42 | 39 |
| South America: | | | | | | | | |
| Argentina | 187 | 149 | 17 | 17 | 14 | 11 | 218 | 177 |
| Brazil | 47 | 37 | 17 | 16 | 1 | 1 | 65 | 54 |
| Chile | 43 | 38 | 8 | 7 | 8 | 7 | 59 | 52 |
| Colombia | 51 | 54 | 8 | 7 | 5/ | -- | 59 | 62 |
| Paraguay | 127 | 105 | -- | -- | -- | -- | 127 | 105 |
| Peru | 16 | 13 | 7 | 6 | 8 | 8 | 31 | 27 |
| Uruguay | 165 | 167 | 16 | 19 | 39 | 35 | 220 | 221 |
| Venezuela | 34 | 46 | 11 | 11 | 1 | 1 | 46 | 58 |
| Western Europe: | | | | | | | | |
| Belgium and Luxembourg | 49 | 59 | 48 | 42 | 1 | 1 | 104 | 110 |
| France | 65 | 70 | 48 | 61 | 6 | 6 | 124 | 142 |
| Germany, West | 39 | 45 | 64 | 74 | 1 | 1 | 104 | 121 |
| Italy | 26 | 36 | 20 | 24 | 2 | 2 | 50 | 64 |
| Netherlands | 40 | 43 | 47 | 52 | 1 | 5/ | 91 | 99 |
| Austria | 40 | 43 | 65 | 68 | 1 | 5/ | 108 | 113 |
| Denmark | 42 | 38 | 83 | 79 | 1 | 1 | 127 | 119 |
| Finland | 35 | 46 | 6/ | 32 | 6/ | 1 | 69 | 81 |
| Greece | 8 | 22 | 7 | 12 | 21 | 28 | 36 | 62 |
| Ireland | 28 | 17 | 48 | 50 | 20 | 17 | 96 | 84 |
| Norway | 31 | 35 | 34 | 33 | 9 | 9 | 75 | 79 |
| Portugal | 11 | 14 | 24 | 23 | 5 | 5 | 41 | 43 |
| Spain | 12 | 17 | 18 | 25 | 7 | 9 | 38 | 52 |
| Sweden | 41 | 42 | 57 | 57 | 5/ | 1 | 102 | 103 |
| Switzerland | 45 | 55 | 54 | 66 | 1 | 2 | 102 | 125 |
| United Kingdom | 60 | 57 | 43 | 60 | 24 | 25 | 127 | 142 |
| Eastern Europe: | | | | | | | | |
| Bulgaria | 22 | -- | 25 | -- | 14 | -- | 61 | -- |
| Czechoslovakia | 31 | -- | 57 | -- | 2 | -- | 91 | -- |
| Hungary | 23 | -- | 62 | -- | 1 | -- | 89 | -- |
| Poland | 23 | 32 | 56 | 49 | 2 | 2 | 82 | 84 |
| Yugoslavia | 14 | 11 | 23 | 27 | 6 | 4 | 43 | 42 |
| USSR (Europe and Asia) | 26 | 30 | 26 | 20 | 8 | 8 | 62 | 60 |
| Africa: | | | | | | | | |
| South Africa, Republic of | 55 | 60 | 7 | 6 | 16 | 18 | 78 | 84 |
| Asia: | | | | | | | | |
| Japan | 3 | 5 | 4 | 7 | 5/ | 2 | 8 | 15 |
| Philippines | 9 | 7 | 17 | 18 | 5/ | 5/ | 26 | 25 |
| Oceania: | | | | | | | | |
| Australia 7/ | 126 | 108 | 19 | 23 | 84 | 88 | 229 | 219 |
| New Zealand 8/ | 105 | 95 | 32 | 36 | 83 | 95 | 220 | 226 |

[1] Carcass weight basis; excludes edible variety meats, lard, rabbit, and poultry meat.

[2] Per capita consumption figures take into account changes in commercial stocks. Data for United States and Canada are for civilian consumption only.

[3] Total consumption includes canned meat.

[4] Beginning 1960 data include Alaska and Hawaii.

[5] Less than 0.5 pound.

[6] Included in total consumption.

[7] Year ending June 30.

[8] Year ending September 30.

## RANK OF STATES

The number of cattle and calves on farms decreased slightly during 1965 to 106.6 million head on January 1, 1966. This was the first time since 1957 that the cattle inventory has declined. Beef cattle numbers rose slightly over 1 percent last year, but not enough to offset the nearly 6 percent decrease in the dairy herd. Sheep and lamb numbers showed a further slight decline during 1965. All of the decrease was in animals 1 year old or over, since on January 1, 1966, lambs on farms and sheep and lambs on feed were above year-earlier levels. There were 4 percent fewer hogs and pigs on farms at the beginning of this year than on the same date a year earlier. The reduction reflects smaller pig crops in 1965.

The top 10 States for cattle and calves increased their absolute number of animals by almost 1 percent in 1965 while all other States decreased 2 percent. States ranked among the top 10 accounted for 48 percent of all cattle and calves on farms January 1, 1956, but today the leading States have increased their share to over 52 percent. Texas is the major cattle State with 10.5 million head of all types of cattle and calves on hand. Oklahoma rose from tenth position during 1965 to seventh place at the beginning of this year, moving ahead of Missouri, Wisconsin, and South Dakota. As in other recent years, States that are relatively important beef cattle States increased in the rankings while those with large numbers of dairy animals tended to slip somewhat.

Texas also ranks first in the number of beef cattle on farms, but dropped to tenth position in number of milk cows on farms. Wisconsin is by far the leading dairy State with 2.3 million dairy cows or almost 14 percent of the U. S. total.

All States east of the Mississippi River showed a decline in the number of sheep and lambs on farms on January 1, 1966. Kansas, Nebraska, Oklahoma, Texas, Colorado, and Arizona were the only States to increase numbers last year. Texas is the top-ranked State with more than twice as many sheep and lambs as the second-ranked State, Wyoming.

The Livestock and Meat Situation is published in January, March, May, July, October, and November.

The next issue is scheduled for release May 11, 1966.

Table 10.--Rank of States in number of cattle and calves on farms, January 1, 1966

| Rank | All cattle and calves | | Beef cattle and calves (cattle not for milk) | | | |
|---|---|---|---|---|---|---|
| | | | Total | | Beef cows 2 years and over | |
| | State | Number | State | Number | State | Number |
| | | 1,000 head | | 1,000 head | | 1,000 head |
| 1 | Texas | 10,546 | Texas | 9,823 | Texas | 5,094 |
| 2 | Iowa | 7,191 | Iowa | 6,044 | Oklahoma | 1,899 |
| 3 | Nebraska | 6,191 | Nebraska | 5,781 | Nebraska | 1,889 |
| 4 | Kansas | 5,572 | Kansas | 5,136 | South Dakota | 1,578 |
| 5 | California | 4,802 | Oklahoma | 4,038 | Kansas | 1,570 |
| 6 | Minnesota | 4,377 | South Dakota | 3,887 | Missouri | 1,439 |
| 7 | Oklahoma | 4,358 | California | 3,461 | Montana | 1,436 |
| 8 | Missouri | 4,302 | Missouri | 3,453 | Iowa | 1,242 |
| 9 | Wisconsin | 4,249 | Illinois | 2,915 | California | 994 |
| 10 | South Dakota | 4,238 | Montana | 2,739 | Mississippi | 955 |
| 11 | Illinois | 3,703 | Colorado | 2,693 | Colorado | 914 |
| 12 | Colorado | 2,869 | Minnesota | 2,284 | Louisiana | 909 |
| 13 | Montana | 2,841 | North Dakota | 1,854 | North Dakota | 899 |
| 14 | Kentucky | 2,470 | Kentucky | 1,777 | Florida | 853 |
| 15 | Tennessee | 2,197 | Mississippi | 1,678 | Kentucky | 827 |
| 16 | North Dakota | 2,184 | Florida | 1,607 | Alabama | 771 |
| 17 | Mississippi | 2,148 | Indiana | 1,560 | Tennessee | 765 |
| 18 | Indiana | 2,122 | Tennessee | 1,531 | Illinois | 738 |
| 19 | Ohio | 2,010 | Louisiana | 1,437 | Arkansas | 685 |
| 20 | New York | 1,964 | Alabama | 1,430 | Wyoming | 655 |
| 21 | Florida | 1,848 | Oregon | 1,305 | Oregon | 652 |
| 22 | Pennsylvania | 1,818 | Wyoming | 1,302 | Georgia | 634 |
| 23 | Louisiana | 1,777 | Georgia | 1,270 | New Mexico | 605 |
| 24 | Alabama | 1,756 | Idaho | 1,265 | Idaho | 501 |
| 25 | Michigan | 1,614 | Arkansas | 1,202 | Minnesota | 480 |
| 26 | Idaho | 1,589 | Ohio | 1,147 | Indiana | 408 |
| 27 | Georgia | 1,554 | New Mexico | 1,062 | Virginia | 405 |
| 28 | Oregon | 1,535 | Arizona | 1,036 | Arizona | 386 |
| 29 | Arkansas | 1,455 | Washington | 1,004 | Washington | 343 |
| 30 | Washington | 1,382 | Virginia | 856 | Utah | 301 |
| 31 | Wyoming | 1,340 | Wisconsin | 727 | Nevada | 288 |
| 32 | Virginia | 1,336 | Michigan | 639 | Ohio | 279 |
| 33 | New Mexico | 1,128 | Utah | 589 | North Carolina | 256 |
| 34 | Arizona | 1,116 | Nevada | 528 | South Carolina | 206 |
| 35 | North Carolina | 897 | North Carolina | 515 | West Virginia | 171 |
| 36 | Utah | 740 | Pennsylvania | 501 | Wisconsin | 170 |
| 37 | Nevada | 558 | South Carolina | 405 | Michigan | 124 |
| 38 | South Carolina | 542 | West Virginia | 310 | Pennsylvania | 102 |
| 39 | West Virginia | 459 | Hawaii | 216 | Hawaii | 87 |
| 40 | Maryland | 450 | Maryland | 144 | New York | 49 |
| 41 | Vermont | 367 | New York | 143 | Maryland | 46 |
| 42 | Hawaii | 240 | Maine | 26 | Maine | 9 |
| 43 | Maine | 163 | Vermont | 17 | New Jersey | 5 |
| 44 | New Jersey | 161 | New Jersey | 15 | Vermont | 4 |
| 45 | Massachusetts | 127 | Massachusetts | 12 | Connecticut | 3 |
| 46 | Connecticut | 122 | Connecticut | 10 | Delaware | 3 |
| 47 | New Hampshire | 81 | Delaware | 9 | Massachusetts | 3 |
| 48 | Delaware | 44 | New Hampshire | 7 | Alaska | 2 |
| 49 | Rhode Island | 16 | Alaska | 5 | New Hampshire | 2 |
| 50 | Alaska | 8 | Rhode Island | 1 | Rhode Island | --- |
| United States | | 106,557 | | 81,396 | | 32,636 |

Table 11.--Rank of States in number of milk cows and sheep on farms, January 1, 1966 and pigs saved 1965

| Rank | Milk cows 2 years and over | | All sheep and lambs | | Number of pigs saved 1/ | |
|---|---|---|---|---|---|---|
| | State | Number | State | Number | State | Number |
| | | 1,000 head | | 1,000 head | | 1,000 head |
| 1 | Wisconsin | 2,283 | Texas | 5,154 | Iowa | 18,854 |
| 2 | Minnesota | 1,309 | Wyoming | 2,109 | Illinois | 11,049 |
| 3 | New York | 1,272 | California | 1,699 | Indiana | 6,279 |
| 4 | Pennsylvania | 865 | Colorado | 1,678 | Missouri | 6,020 |
| 5 | California | 850 | South Dakota | 1,495 | Minnesota | 5,004 |
| 6 | Iowa | 760 | Montana | 1,387 | Nebraska | 4,130 |
| 7 | Michigan | 626 | Utah | 1,215 | Ohio | 3,764 |
| 8 | Ohio | 591 | Iowa | 1,187 | Wisconsin | 3,125 |
| 9 | Missouri | 565 | Idaho | 987 | South Dakota | 2,485 |
| 10 | Texas | 486 | New Mexico | 972 | North Carolina | 2,234 |
| 11 | Illinois | 476 | Ohio | 753 | Kentucky | 2,168 |
| 12 | Tennessee | 475 | Minnesota | 723 | Kansas | 2,096 |
| 13 | Kentucky | 471 | Arizona | 669 | Georgia | 1,945 |
| 14 | Indiana | 385 | Oregon | 667 | Tennessee | 1,749 |
| 15 | Virginia | 314 | Kansas | 656 | Alabama | 1,223 |
| 16 | Mississippi | 288 | Nebraska | 610 | Texas | 1,158 |
| 17 | Nebraska | 286 | Illinois | 556 | Michigan | 977 |
| 18 | Kansas | 280 | North Dakota | 517 | Virginia | 848 |
| 19 | North Carolina | 253 | Missouri | 429 | Pennsylvania | 627 |
| 20 | Vermont | 253 | Indiana | 426 | Mississippi | 608 |
| 21 | Washington | 242 | Michigan | 325 | South Carolina | 567 |
| 22 | South Dakota | 236 | Washington | 260 | Oklahoma | 566 |
| 23 | North Dakota | 231 | Nevada | 259 | North Dakota | 553 |
| 24 | Louisiana | 230 | Virginia | 226 | Florida | 426 |
| 25 | Maryland | 217 | Pennsylvania | 210 | California | 366 |
| 26 | Alabama | 207 | West Virginia | 202 | Arkansas | 326 |
| 27 | Oklahoma | 199 | Wisconsin | 190 | Colorado | 312 |
| 28 | Idaho | 194 | Kentucky | 187 | Maryland | 281 |
| 29 | Florida | 186 | Oklahoma | 183 | Montana | 218 |
| 30 | Georgia | 185 | New York | 134 | Oregon | 211 |
| 31 | Arkansas | 173 | Tennessee | 92 | Idaho | 197 |
| 32 | Oregon | 140 | Louisiana | 62 | Washington | 183 |
| 33 | Colorado | 112 | North Carolina | 32 | Louisiana | 175 |
| 34 | New Jersey | 112 | Maryland | 25 | Massachusetts | 127 |
| 35 | West Virginia | 106 | Maine | 25 | New York | 114 |
| 36 | Utah | 94 | Alaska | 23 | West Virginia | 101 |
| 37 | South Carolina | 92 | Mississippi | 23 | Utah | 92 |
| 38 | Maine | 88 | Arkansas | 20 | New Jersey | 89 |
| 39 | Massachusetts | 83 | New Jersey | 13 | Hawaii | 86 |
| 40 | Connecticut | 79 | Massachusetts | 11 | New Mexico | 62 |
| 41 | Montana | 67 | Vermont | 10 | Delaware | 60 |
| 42 | Arizona | 56 | Alabama | 9 | Wyoming | 42 |
| 43 | New Hampshire | 48 | Georgia | 9 | Arizona | 42 |
| 44 | New Mexico | 43 | South Carolina | 8 | Maine | 25 |
| 45 | Wyoming | 27 | Connecticut | 7 | Connecticut | 17 |
| 46 | Delaware | 25 | Florida | 6 | New Hampshire | 17 |
| 47 | Hawaii | 18 | New Hampshire | 6 | Nevada | 15 |
| 48 | Nevada | 16 | Delaware | 4 | Vermont | 14 |
| 49 | Rhode Island | 11 | Rhode Island | 2 | Rhode Island | 9 |
| 50 | Alaska | 2 | Hawaii | --- | Alaska | 2 |
| United States | | 16,607 | | 26,452 | | 81,638 |

1/ Total pigs saved from December-May and June-November pig crops.

# THE CATTLE CYCLE

By
Robert L. Rizek, ERS, ESAD

There were 106.6 million cattle and calves on farms January 1, 1966, down 627,000 from the record number a year earlier. Although the number of beef animals increased by almost a million head, this was more than offset by the 1.5-million-head reduction in the dairy sector. Dairy cows were reduced by almost 1 million head while dairy calves and heifers were down almost 600,000 head. In the beef sector, steers and calves, at 12.7 and 25.9 million head, were each up more than 600,000 head. However, beef cow numbers at 32.6 million head, were down slightly, while heifers declined by 200,000 head to 8.3 million. This decline during 1965 ended 7 consecutive years of buildup and began the seventh downswing in the cattle cycle since the 1880's. Important now to the entire beef industry is how the present cycle will unfold over the next several years.

There have been cycles in the cattle inventory since records of cattle numbers have been kept. Since 1880, the number of cattle on farms has oscillated through 6 complete cycles which have varied in length from 10 to 16 years. The peak has just been passed in the seventh cycle.

The current cattle inventory situation is similar to the one that occurred during the preceding cycle of 1949-58. On January 1, 1955, the inventory reached a cyclical peak of 96.6 million head. During that year, slaughter rates increased and by January 1, 1956, the cattle inventory was down almost 700,000 head. As in 1965, the decline was more than accounted for by reductions in breeding stock while the number of steers and calves on farms increased.

Following the inventory decline during 1955, slaughter kept increasing in 1956. Smaller calf crops in 1956 and 1957 in conjunction with better range conditions in 1957 and 1958 led to a reduction in slaughter in 1957 and 1958. By 1958, cattlemen again became optimistic about the future and initiated the buildup phase of the cattle cycle that carried through into early 1965.

All of the reduction in the inventory during the first year of the downswing in cattle numbers in both the present and preceding cycle (1965 and 1955) occurred in dairy animals. In both of these years the total number of beef animals increased from a year earlier, even though the numbers of beef cows and heifers were down. However, in 1965 the decline in dairy animals was somewhat greater even though dairy animals account for a substantially smaller proportion of the total inventory than in 1955. On the other hand, the decline in beef cows and heifers was less than in 1955.

Although the present inventory situation is similar to that of the previous cycle, price levels--a major factor in the evolution of the cattle cycle--are quite different. Cattle prices declined during 1955 and into 1956, the first 2 years of inventory reduction in the previous cycle. In contrast, prices received by farmers during 1965 and early 1966 averaged substantially above 1964 levels.

Cattle prices increased during 1965 even though slaughter was up about 5 percent from a year earlier. Although lighter marketing weights contributed materially to the price strength last year, strong consumer demand brought about by record-high employment and consumer incomes and by sharply reduced supplies of other red meats, primarily pork, was also a significant factor. The demand situation in 1966 is expected to be similar to that of 1965. Demand is expected to continue increasing in response to growing population and incomes.

The impact of weather on cattle production is another difference between the 2 cycles. Drought had a significant influence on the liquidation phase during 1955-57. The dry summers of 1955 and 1956 caused record-low range conditions. This accelerated the downturn in cattle numbers and shortened the adjustment period. The drought also was probably responsible for the more-than-proportional decrease in beef cows. However in 1965, range and pasture conditions were favorable, except in the Northeastern States, and are continuing above year-earlier levels into 1966. Thus, weather so far has not contributed appreciably to the downturn in the present cattle cycle.

There are 2 generally held concepts of the cattle cycle. One of these contends that cycles are self-generated while the other attributes cyclical movements to the influence of outside forces. Whether the cyclical nature of cattle numbers results from inside or outside the industry, or more likely a combination of the 2, the cycle has often been used as the principal working tool for forecasting trends in the cattle industry.

The cattle cycle, while still important in the overall beef supply-price outlook, may not be currently as important in forecasting marketings and prices as in the past. In addition to substantially different external factors which significantly influenced prices and ranges during 1955-57, several structural changes have occurred within the industry in the past decade. These changes may alter the inventory reduction phase now underway and the prospective buildup.

Structural changes that have taken place since the previous cycle include: (1) The increased movement of cattle through feedlots and the increasing separation of this part of the beef industry from the production of feeder animals; (2) the declining proportion of dairy animals in the total inventory; (3) continued dispersion of beef cows throughout the Nation--minimizing the risk of forced liquidation due to weather.

Regardless of these differences and changes during the past decade, total cattle numbers probably will decline again in 1966--in the tradition of the historical cattle cycle. Federally inspected cattle slaughter during January and February averaged around 5 percent above year-earlier levels. If this rate were to continue through the year, the inventory next January 1 would likely be down about 3 million head. To hold the inventory constant or show some increase during the year (assuming an average calf crop and imports of live cattle at 1965 levels), slaughter during 1966 would have to average 5 percent or more below 1965 levels.

Slaughter likely will not continue at the high rates of early 1966, although it probably will stay large enough to result in a further reduction in the inventory by next January 1. However, the reduction in the various classes of cattle may be quite different than in the last downward adjustment period. In 1956, the inventory was reduced by sending large numbers of cattle tc slaughter, especially cows. The beef cow herd was reduced by over 800,000 head in 1956 while dairy cows were cutback by almost 600,000 head. In view of the current price levels (in contrast to the depressed levels a decade ago) and expectations for additional price strength through the year, producers will likely cut back culling rates on beef cows and add heifers to the breeding herd. The expected buildup in beef breeding herds may offset part of the reduction in steers and heifers.

Calf slaughter which dropped below year-earlier levels in the fourth quarter of 1965 has continued at reduced levels so far in 1966. During the first 9 weeks of this year, slaughter was down about 7 percent. This trend is expected to continue and slaughter likely will average well below year-earlier levels in response to the reduction in the calf crop and favorable prices for feeder cattle. If the cutback in calf slaughter during 1966 is substantial, as now appears likely, this will probably largely offset the smaller calf crop in prospect this year. Thus, the inventory of calves on farms next January 1 may not change much from the number on hand at the beginning of this year.

Although the number of beef animals may decline during the year, the magnitude of the total inventory decline expected during 1966 will depend primarily on decisions of dairy producers. In 1965, dairy producers evidently did not view their long-run outlook favorably. As a result, the inventory of dairy animals was reduced 1.5 million head or about double the average rate since 1958. Of this decline, almost 1 million head were cows. If dairy producers continue to view the long-run situation as they did last year, the overall inventory of cattle and calves could be reduced by as much as 2-3 percent. However, if dairy producers return to a more normal rate of inventory reduction, the decline in the inventory would be considerably more moderate.

The composition of beef supply during 1966 will be similar in some respects, but different in others from that in 1956. Fed beef production likely will show a moderate increase from a year earlier--resulting from increased weights and more cattle moving through feedlots. This compares similarly to 1956 when only a small change occurred in fed beef supplies. The major difference likely will occur in beef from cows and non-fed steers and heifers. In 1956, cow slaughter--both dairy and beef--increased substantially, resulting in large supplies of processing beef. This year, depending primarily on the actions of diary producers, cow slaughter likely will average below year-earlier levels. In addition, the likely reduction in non-fed steer and heifer slaughter--resulting from strong feedlot and herd replacement demand--will reduce supplies of lower grade beef. This will tend to strengthen the entire beef market.

On balance, the cattle cycle apparently will continue along its traditional course in 1966 in that cattle numbers will decline. However, unlike past downward adjustment periods when most of the change occurred in beef animals, the overall adjustment in beef cattle this time could be relatively insignificant. Furthermore, and of more importance to the industry, beef cows likely will show little increase in 1966.

Holding the beef breeding herd relatively constant during 1965, plus working down the number of steers and heifers in 1966, would help keep the industry in a favorable and fairly well-balanced position. Such a situation, if it continues to develop, would help maintain price stability in an industry frequently hurt by boom and bust periods related to big cyclical sweeps in the beef sector.

## CATTLE FEEDING AND FEEDING MARGINS

By
Donald Seaborg, ERS, ESAD

Cattle feeders attempt to make a profit finishing cattle on a high energy ration for a lower total cost than they will eventually receive from the sale of fed cattle.

In starting a new feeding program, a cattle feeder is concerned with (1) feeder cattle prices, (2) fed cattle prices from 3 months to a year in the future, and (3) the cost of converting feed into meat. Both feeder and fed cattle prices are determined largely by the available supply of cattle and the demand for beef. The cost of gain is related to feed costs but also to other operating costs as well as to managerial skill.

This article explores some financial considerations in feedlot finishing and the relationship between feeder cattle and fed cattle prices.

### Basis for Profitable Operations

Profits in cattle feeding are made when either the cost of converting feed into beef is less than the market price of finished cattle, or when fed cattle prices are higher than feeder cattle prices were at the start of the feeding program, or both.

Cattle feeders usually know pretty well their cost of converting feed into meat and can estimate the approximate cost of finishing animals to the grades desired. Table 12 shows the following example: Purchase price for a 700-pound feeder steer is $27 per 100 pounds. This represents an investment of $189. The average cost of gain is 24 cents per pound or $120 for the total cost of gain. So, the breakeven price on a finished 1,200-pound steer will be just under $26 per 100 pounds (total cost: $309). In this case, fed cattle prices must average at least this high before costs are covered. Thus, cattle feeders at times can pay more per 100 pounds live weight for replacement cattle than they eventually will receive for fed cattle--provided that what they receive for fed cattle more than covers the cost of putting on 100 pounds of gain. The reverse can also be true: Buying feeder cattle at a lower per 100-pound-rate than the eventual fed cattle price does not necessarily insure profitable operation.

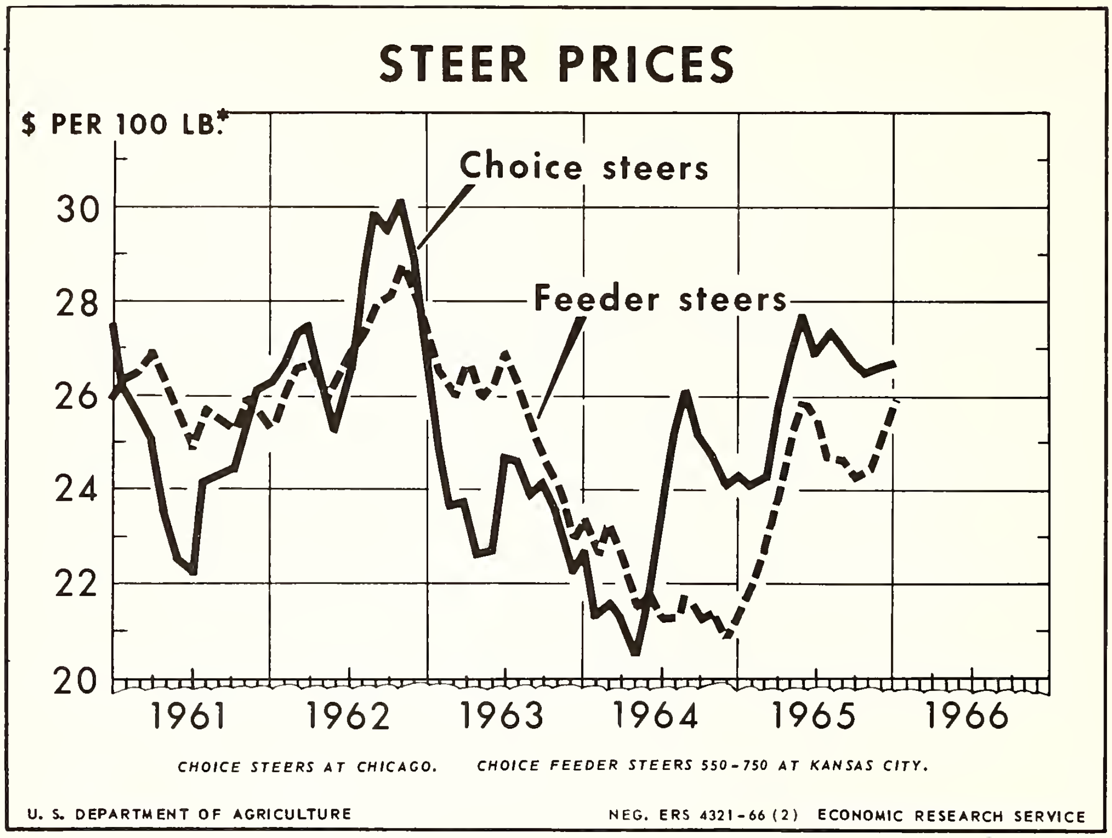
Fed cattle prices affect feeder cattle prices. Strong fed cattle prices usually prompt cattle feeders to pay more for feeder cattle. Conversely, unfavorable fed cattle prices tend to drive down the price of feeder cattle. This relationship occurs because feeder cattle represent a cost of production to the cattle feeder and the price he is willing to pay for this input item hinges largely on what the expectations are for future fed cattle prices. The chart on page 30 shows the past relationship between prices of fed cattle and feeder cattle. While there is a general relationship, there are many exceptions, as can be noted.

## Feeding Margins

The difference between fed cattle prices and feeder cattle prices is the feeding margin. The margin is said to be positive when fed cattle prices are higher than feeder cattle prices and is negative when fed cattle prices are lower than feeder cattle prices.

Table 12.--Breakeven price on fed steers at several selected feeder cattle prices and average costs of gain

| Price of 700 lb. feeder steer | Breakeven price on 1200 pound steer after 500 pound gain | | | |
|---|---|---|---|---|
| | Cost per pound of gain | | | |
| | 22 cents | 23 cents | 24 cents | 25 cents |
| | Dollars per 100 pounds liveweight | | | |
| 22 | 22.00 | 22.40 | 22.80 | 23.20 |
| 23 | 22.60 | 23.00 | 23.40 | 23.80 |
| 24 | 23.20 | 23.60 | 24.00 | 24.40 |
| 25 | 23.80 | 24.20 | 24.60 | 25.00 |
| 26 | 24.30 | 24.70 | 25.20 | 25.60 |
| 27 | 24.90 | 25.30 | 25.80 | 26.20 |
| 28 | 25.50 | 25.90 | 26.30 | 26.80 |
| 29 | 26.10 | 26.50 | 26.90 | 27.30 |
| 30 | 26.70 | 27.10 | 27.50 | 27.90 |
| 31 | 27.20 | 27.70 | 28.10 | 28.50 |
| 32 | 27.80 | 28.20 | 28.70 | 29.10 |



STEER PRICES

*CHOICE STEERS AT CHICAGO. CHOICE FEEDER STEERS 550-750 AT KANSAS CITY.*

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 4321-66 (2) ECONOMIC RESEARCH SERVICE

Discussions about the outlook for profits in cattle feeding frequently refer to the current difference between feeder cattle and fed cattle prices. Market reports carry current prices on both fed cattle and feeder cattle and computing the difference is an easy task. However, current feeding margins do not usually reflect returns in cattle feeding because cattle sold out of feedlots have been on feed for some time. Thus, current fed cattle prices must be compared with feeder cattle prices several months earlier to help make a judgement about profits in cattle feeding.

Fed cattle marketed in March after 6 months feeding had been placed on feed in September 1965. The feeding margin for these animals would be the difference between fed cattle prices in March and feeder cattle prices in September 1965. Table 13 shows feeding margins for steer feeding programs of 3, 6, and 9 months. Similar tables can be made for heifers and for cattle of different quality.

Large positive feeding margins do not always encourage cattle feeders to pay more for feeder cattle and conversely, negative margins do not always lead to lower feeder cattle prices. Thus, current feeding margins are not a reliable tool to estimate future feeder cattle price movements. This is true because feeder cattle prices are partly determined by the outlook for fed cattle prices and because cattlemen have alternative outlets for feeder cattle than to feedlot operators: (1) Breeder herd replacement stock, (2) slaughter and (3) further grazing including wheat pasture.

Table 13.--Slaughter steer and feeder steer prices per 100 pounds and feeding margins for selected feeding programs, by month 1962 to date 1/

| Year and month | Choice steers, Chicago | Choice 500-800 pound feeders, Kansas City | Difference in price between Choice fed steers and feeder steers 2/ | | | |
|---|---|---|---|---|---|---|
| | | | Current month | 3 months earlier | 6 months earlier | 9 months earlier |
| | Dollars | Dollars | Dollars | Dollars | Dollars | Dollars |
| 1962 Jan. | 26.39 | 25.34 | + 1.05 | + 1.04 | + 1.41 | - .42 |
| Feb. | 26.76 | 26.03 | + .73 | + .84 | + 1.10 | + .51 |
| Mar. | 27.31 | 26.52 | + .79 | + 1.63 | + 1.91 | + 1.69 |
| Apr. | 27.45 | 26.68 | + .77 | + 2.11 | + 2.10 | + 2.47 |
| May | 26.02 | 26.18 | - .16 | - .01 | + .10 | + .36 |
| June | 25.25 | 26.31 | - 1.06 | - 1.27 | - .43 | - .15 |
| July | 26.50 | 26.87 | - .37 | - .18 | + 1.16 | + 1.15 |
| Aug. | 28.19 | 27.25 | + .94 | + 2.01 | + 2.16 | + 2.27 |
| Sept. | 29.85 | 27.86 | + 1.99 | + 3.54 | + 3.33 | + 4.17 |
| Oct. | 29.50 | 28.05 | + 1.45 | + 2.63 | + 2.82 | + 4.16 |
| Nov. | 30.13 | 28.80 | + 1.33 | + 2.88 | + 3.95 | + 4.10 |
| Dec. | 28.91 | 28.15 | + .76 | + 1.05 | + 2.60 | + 2.39 |
| 1963 Jan. | 27.27 | 27.24 | + .03 | - .78 | + .40 | + .59 |
| Feb. | 24.93 | 26.48 | - 1.55 | - 3.87 | - 2.32 | - 1.25 |
| Mar. | 23.63 | 26.13 | - 2.50 | - 4.52 | - 4.23 | - 2.68 |
| Apr. | 23.77 | 26.62 | - 2.85 | - 3.47 | - 4.28 | - 3.10 |
| May | 22.61 | 26.00 | - 3.39 | - 3.87 | - 6.19 | - 4.64 |
| June | 22.69 | 26.38 | - 3.69 | - 3.44 | - 5.46 | - 5.17 |
| July | 24.72 | 26.85 | - 2.13 | - 1.90 | - 2.52 | - 3.33 |
| Aug. | 24.60 | 26.31 | - 1.71 | - 1.40 | - 1.88 | - 4.20 |
| Sept. | 23.94 | 25.42 | - 1.48 | - 2.44 | - 2.19 | - 4.21 |
| Oct. | 24.03 | 24.63 | - .60 | - 2.82 | - 2.59 | - 3.21 |
| Nov. | 23.51 | 24.19 | - .68 | - 2.80 | - 2.49 | - 2.97 |
| Dec. | 22.30 | 23.15 | - .85 | - 3.12 | - 4.08 | - 3.83 |
| 1964 Jan. | 22.61 | 23.21 | - .60 | - 2.02 | - 4.24 | - 4.01 |
| Feb. | 21.34 | 22.64 | - 1.30 | - 2.85 | - 4.97 | - 4.66 |
| Mar. | 21.56 | 23.32 | - 1.76 | - 1.59 | - 3.86 | - 4.82 |
| Apr. | 21.28 | 22.74 | - 1.46 | - 1.93 | - 3.35 | - 5.57 |
| May | 20.52 | 21.54 | - 1.02 | - 2.12 | - 3.67 | - 5.79 |
| June | 21.57 | 21.74 | - .17 | - 1.75 | - 1.58 | - 3.85 |
| July | 23.44 | 21.36 | + 2.08 | + .70 | + .23 | - 1.19 |
| Aug. | 25.28 | 21.30 | + 3.98 | + 3.74 | + 2.64 | + 1.09 |
| Sept. | 26.07 | 21.74 | + 4.33 | + 4.33 | + 2.75 | + 2.92 |
| Oct. | 25.07 | 21.24 | + 3.83 | + 3.71 | + 2.33 | + 1.86 |
| Nov. | 24.64 | 21.25 | + 3.39 | + 3.34 | + 3.10 | + 2.00 |
| Dec. | 24.01 | 20.90 | + 3.11 | + 2.27 | + 2.27 | + .69 |
| 1965 Jan. | 24.28 | 21.43 | + 2.85 | + 3.04 | + 2.92 | + 1.54 |
| Feb. | 24.02 | 21.92 | + 2.10 | + 2.77 | + 2.72 | + 2.48 |
| Mar. | 24.31 | 22.70 | + 1.61 | + 3.41 | + 2.57 | + 2.57 |
| Apr. | 25.63 | 23.66 | + 1.97 | + 4.20 | + 4.39 | + 4.27 |
| May | 26.88 | 25.18 | + 1.70 | + 4.96 | + 5.63 | + 5.58 |
| June | 27.68 | 25.85 | + 1.83 | + 4.98 | + 6.78 | + 5.94 |
| July | 26.88 | 25.44 | + 1.44 | + 3.22 | + 5.45 | + 5.64 |
| Aug. | 27.22 | 24.72 | + 2.50 | + 2.04 | + 5.30 | + 5.97 |
| Sept. | 27.08 | 24.68 | + 2.40 | + 1.23 | + 4.38 | + 6.18 |
| Oct. | 26.74 | 24.32 | + 2.42 | + 1.30 | + 3.08 | + 5.31 |
| Nov. | 26.46 | 24.43 | + 2.03 | + 1.74 | + 1.28 | + 4.54 |
| Dec. | 26.60 | 25.13 | + 1.47 | + 1.92 | + .75 | + 3.90 |
| 1966 Jan. | 26.87 | 26.29 | + .58 | + 2.55 | + 1.43 | + 3.21 |
| Feb. | | | | | | |
| Mar. | | | | | | |
| Apr. | | | | | | |

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1/ Choice steers at Chicago and 500 to 800 pound feeder steers at Kansas City.
2/ Plus sign means fed steers are higher prices than feeder cattle.

If prospects for a positive feeding margin and a favorable return on the conversion of grain into meat look dim, cattle feeders can wait until the outlook improves or alter somewhat the type of feeding operation. However, cattle feeders as a group do not adjust quickly to changing market conditions. Most feeders find it difficult to make substantial changes in their operations or to stop feeding operations altogether because many feeding programs require specific equipment and facilities and the changes that can be made during a short period of time are usually quite small. Others that can adjust, switch to a new feeding program that appears to offer a more profitable use of feedlot facilities in light of the current outlook as pen space becomes available.

## Factors Affecting Feeding Decisions

The weight and quality of the feeder animal largely determines how long a feeding period is required. Fleshy steers weighing 800 pounds and up are often fed for only 100 days or less. Light weight steers are sometimes fed for as long as a year. Thus, at times cattle feeders alter feeding programs in an effort to continue to feed on a favorable margin and to maintain lot capacity. Additional alternatives in making an adjustment to the price outlook include switching to the opposite sex of animal usually fed, adjusting ration mixtures, using cattle of lower or higher quality, or relying more heavily on feeding on producers account (custom feeding).

Cattle feeders typically operate their lots at or near full capacity to keep the cost of feeding per head at a minimum and to help average out periods of low income. Maintaining capacity spreads the cost of buildings, equipment, and sometimes labor over as many cattle as possible and in this way, lowers cost per animal fed (or per 100 pounds of gain).

Large-scale lots usually tend to operate at capacity rather than let the facilities remain idle--even when the price outlook is not considered favorable. As mentioned above, cattle feeders sometimes switch to feeding programs that they believe will avoid particularly low price periods. However, at other times when this is not possible, cattle feeders will feed cattle if they can more than recover their variable costs (day-to-day expenses). In this way, losses can be held to a minimum.

The efforts of cattle feeders to maintain feedlot operations close to capacity affect both feeder cattle prices and fed cattle prices. During periods of low prices, cattle feeders tend to continue to purchase large numbers of feeder cattle. When this is the market situation, feeder cattle prices are higher than the price outlook warrants and fed cattle prices may be a little slow to recover.

Supply and distribution of meat, by months, July 1965 to date

| Meat and period | Commercially produced | | | | | | | | Total 2/ | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Supply | | | Distribution | | | | | | | |
| | | | | | | | Civilian consumption | | | Civilian consumption | |
| | Production | Beginning stocks | Imports | Exports and shipments | Ending stocks | Military | Total | Per person 1/ | Production | Total | Per person |
| | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Mil. lb. | Lb. | Mil. lb. | Mil. lb. | Lb. |
| Beef: | | | | | | | | | | | |
| July | 1,518 | 172 | 87 | 6 | 168 | 40 | 1,563 | 8.2 | --- | --- | --- |
| August | 1,568 | 168 | 93 | 7 | 179 | 51 | 1,592 | 8.3 | --- | --- | --- |
| September | 1,623 | 179 | 94 | 6 | 194 | 55 | 1,641 | 8.6 | --- | --- | --- |
| 3rd quarter | 4,709 | 172 | 274 | 19 | 194 | 146 | 4,796 | 25.1 | | | 3/25.4 |
| October | 1,603 | 194 | 95 | 7 | 203 | 63 | 1,619 | 8.4 | --- | --- | --- |
| November | 1,568 | 203 | 83 | 9 | 235 | 43 | 1,567 | 8.2 | --- | --- | --- |
| December | 1,584 | 235 | 80 | 8 | 260 | 42 | 1,589 | 8.3 | --- | --- | --- |
| 4th quarter | 4,755 | 194 | 258 | 24 | 260 | 148 | 4,775 | 24.9 | | | 3/25.3 |
| Year | 18,315 | 315 | 923 | 91 | 260 | 554 | 18,648 | 97.7 | | | 3/99.3 |
| Veal: | | | | | | | | | | | |
| July | 77 | 9 | 1 | 1 | 9 | 4 | 73 | .4 | --- | --- | --- |
| August | 85 | 9 | 1 | 4/ | 8 | 7 | 80 | .4 | --- | --- | --- |
| September | 90 | 8 | 1 | 1 | 8 | 3 | 87 | .5 | --- | --- | --- |
| 3rd quarter | 252 | 9 | 3 | 2 | 8 | 14 | 240 | 1.3 | | | 3/ 1.3 |
| October | 88 | 8 | 2 | 1 | 8 | 4 | 85 | .4 | --- | --- | --- |
| November | 83 | 8 | 3 | 4/ | 9 | 3 | 82 | .4 | --- | --- | --- |
| December | 72 | 9 | 2 | 4/ | 10 | 2 | 71 | .4 | --- | --- | --- |
| 4th quarter | 243 | 8 | 7 | 1 | 10 | 9 | 238 | 1.2 | | | 3/ 1.4 |
| Year | 936 | 13 | 19 | 6 | 10 | 44 | 908 | 4.8 | | | 3/ 5.2 |
| Lamb and mutton: | | | | | | | | | | | |
| July | 51 | 10 | 8 | 4/ | 10 | 4/ | 59 | .3 | --- | --- | --- |
| August | 52 | 10 | 9 | 1 | 10 | 4/ | 60 | .3 | --- | --- | --- |
| September | 59 | 10 | 9 | 4/ | 10 | 1 | 67 | .4 | --- | --- | --- |
| 3rd quarter | 162 | 10 | 26 | 1 | 10 | 1 | 186 | 1.0 | | | 3/ 1.0 |
| October | 56 | 10 | 9 | 4/ | 12 | 4/ | 63 | .3 | --- | --- | --- |
| November | 52 | 12 | 7 | 1 | 12 | 4/ | 58 | .3 | --- | --- | --- |
| December | 51 | 12 | 5 | 1 | 12 | 1 | 54 | .3 | --- | --- | --- |
| 4th quarter | 159 | 10 | 21 | 2 | 12 | 1 | 175 | .9 | | | 3/ .9 |
| Year | 638 | 13 | 72 | 4 | 12 | 4 | 703 | 3.7 | | | 3/ 3.7 |
| Pork: | | | | | | | | | | | |
| July | 754 | 224 | 26 | 8 | 176 | 15 | 805 | 4.2 | --- | --- | --- |
| August | 807 | 176 | 27 | 10 | 135 | 24 | 841 | 4.4 | --- | --- | --- |
| September | 915 | 135 | 30 | 10 | 126 | 23 | 921 | 4.8 | --- | --- | --- |
| 3rd quarter | 2,476 | 224 | 83 | 28 | 126 | 62 | 2,567 | 13.4 | | | 3/13.9 |
| October | 920 | 126 | 29 | 12 | 127 | 28 | 908 | 4.7 | --- | --- | --- |
| November | 935 | 127 | 25 | 13 | 142 | 20 | 912 | 4.8 | --- | --- | --- |
| December | 863 | 142 | 39 | 14 | 152 | 22 | 856 | 4.5 | --- | --- | --- |
| 4th quarter | 2,718 | 126 | 93 | 39 | 152 | 70 | 2,676 | 14.0 | | | 3/14.5 |
| Year | 10,736 | 284 | 333 | 130 | 152 | 241 | 10,830 | 56.7 | | | 3/58.9 |
| All meat: | | | | | | | | | | | |
| July | 2,400 | 415 | 122 | 15 | 363 | 59 | 2,500 | 13.1 | --- | --- | --- |
| August | 2,512 | 363 | 130 | 18 | 332 | 82 | 2,573 | 13.4 | --- | --- | --- |
| September | 2,687 | 332 | 134 | 17 | 338 | 82 | 2,716 | 14.2 | --- | --- | --- |
| 3rd quarter | 7,599 | 415 | 386 | 50 | 338 | 223 | 7,789 | 40.7 | | | 3/41.6 |
| October | 2,667 | 338 | 135 | 20 | 350 | 95 | 2,675 | 14.0 | --- | --- | --- |
| November | 2,638 | 350 | 118 | 23 | 398 | 66 | 2,619 | 13.6 | --- | --- | --- |
| December | 2,570 | 398 | 126 | 23 | 434 | 67 | 2,570 | 13.4 | --- | --- | --- |
| 4th quarter | 7,875 | 338 | 379 | 66 | 434 | 228 | 7,864 | 41.0 | | | 3/42.1 |
| Year | 30,625 | 625 | 1,347 | 231 | 434 | 843 | 31,089 | 162.8 | | | 3/167.1 |

1/ Derived from estimates by months of population eating out of civilian food supplies. 2/ Includes production and consumption from farm slaughter. 3/ Estimated. 4/ Less than 500,000 pounds.

Selected price statistics for meat animals and meat

| Item | Unit | 1965 |  |  | 1966 |  |
|---|---|---|---|---|---|---|
|  |  | Year average or total | January | February | January | February |
| CATTLE AND CALVES: |  |  |  |  |  |  |
| Beef steers, slaughter | Dollars per |  |  |  |  |  |
| Chicago, Prime | 100 pounds | 27.71 | 25.59 | 25.38 | 27.75 | 29.27 |
| Choice | do. | 26.19 | 24.28 | 24.02 | 26.87 | 27.70 |
| Good | do. | 24.16 | 22.61 | 22.37 | 25.42 | 26.19 |
| Standard | do. | 21.17 | 18.72 | 18.31 | 23.12 | 23.86 |
| Utility | do. | 19.18 | 16.59 | 16.24 | 20.65 | 21.48 |
| All grades | do. | 25.81 | 23.83 | 23.50 | 26.65 | 27.55 |
| Omaha, all grades | do. | 24.33 | 22.07 | 21.82 | 25.18 | 26.20 |
| Sioux City, all grades | do. | 24.65 | 22.47 | 22.01 | 25.29 | 26.92 |
| Cows, Chicago |  |  |  |  |  |  |
| Commercial | do. | 14.58 | 12.72 | 13.31 | 16.14 | 17.83 |
| Utility | do. | 14.46 | 12.80 | 13.37 | 15.83 | 17.72 |
| Cutter | do. | 13.42 | 11.94 | 12.66 | 14.95 | 16.72 |
| Canner | do. | 12.22 | 10.94 | 11.79 | 14.08 | 15.79 |
| Vealers, Choice, S. St. Paul | do. | 28.10 | 31.12 | 30.22 | 33.70 | 35.50 |
| Stocker and feeder steers, Kansas City 1/ | do. | 22.50 | 19.88 | 19.85 | 24.64 | 26.38 |
| Price received by farmers |  |  |  |  |  |  |
| Beef cattle | do. | 2/19.92 | 18.00 | 18.20 | 21.10 | 22.60 |
| Cows | do. | 2/13.39 | 11.90 | 12.70 | 14.40 | 16.30 |
| Steers and heifers | do. | 2/22.37 | 20.40 | 20.30 | 23.80 | 25.00 |
| Calves | do. | 2/21.94 | 20.20 | 20.60 | 24.70 | 26.40 |
| HOGS: |  |  |  |  |  |  |
| Barrows and gilts, U. S. No. 1, 2 & 3, Chicago |  |  |  |  |  |  |
| 200-220 pounds | do. | 22.29 | 17.02 | 17.62 | 29.17 | 28.73 |
| 220-240 pounds | do. | 22.13 | 16.73 | 17.45 | 28.59 | 28.38 |
| 240-270 pounds | do. | 21.71 | 16.03 | 17.02 | 27.71 | 27.60 |
| All weights | do. | 21.53 | 16.33 | 17.21 | 28.21 | 27.88 |
| Barrows and gilts, 8 markets 3/ | do. | 21.30 | 16.06 | 17.01 | 27.93 | 27.80 |
| Sows, Chicago | do. | 18.91 | 13.12 | 14.59 | 23.77 | 24.79 |
| Price received by farmers | do. | 2/20.73 | 15.40 | 16.40 | 27.30 | 27.20 |
| Hog-corn price ratio 4/ |  |  |  |  |  |  |
| Chicago, barrows and gilts |  | 16.9 | 12.9 | 13.4 | 21.8 | 21.7 |
| Price received by farmers, all hogs |  | 2/18.1 | 13.4 | 14.0 | 23.9 | 23.7 |
| SHEEP AND LAMBS: | Dollars per |  |  |  |  |  |
| Sheep | 100 pounds |  |  |  |  |  |
| Slaughter ewes, Good, Chicago | do. | 6.96 | 6.15 | 6.50 | 9.00 | 9.00 |
| Price received by farmers | do. | 2/ 6.42 | 5.83 | 6.20 | 7.42 | 7.78 |
| Lamb |  |  |  |  |  |  |
| Slaughter, Choice, Chicago | do. | 24.94 | 22.42 | 24.56 | 27.53 | 28.10 |
| Feeder, Choice, S. St. Paul | do. | 22.71 | 21.74 | 23.18 | 27.24 | 28.27 |
| Price received by farmers | do. | 2/22.61 | 20.30 | 21.60 | 25.90 | 26.60 |
| All meat animals: |  |  |  |  |  |  |
| Index number price received by farmers (1910-14=100) |  | 2/ 320 | 272 | 280 | 369 | 384 |
| MEAT: |  |  |  |  |  |  |
| Wholesale, Chicago | Dollars per |  |  |  |  |  |
| Steer beef carcass, Choice, 500-600 pounds | 100 pounds | 42.50 | 40.40 | 39.46 | 43.85 | 45.02 |
| Lamb carcass, Choice, 45-55 pounds | do. | 51.39 | 46.16 | 49.56 | 57.14 | 57.18 |
| Composite hog products |  |  |  |  |  |  |
| Including lard |  |  |  |  |  |  |
| 71.90 pounds fresh | Dollars | 22.44 | 17.69 | 18.07 | 28.86 | 28.72 |
| Average per 100 pounds | do. | 31.21 | 24.60 | 25.13 | 40.14 | 39.94 |
| 71.01 pounds fresh and cured | do. | 26.66 | 21.88 | 21.97 | 33.22 | 33.38 |
| Average per 100 pounds | do. | 37.54 | 30.81 | 30.94 | 46.78 | 47.01 |
| Excluding lard |  |  |  |  |  |  |
| 55.99 pounds fresh and cured | do. | 24.00 | 19.44 | 19.54 | 30.14 | 30.39 |
| Average per 100 pounds | do. | 42.87 | 34.72 | 34.90 | 53.83 | 54.28 |
| Retail, United States average | Cents |  |  |  |  |  |
| Beef, Choice grade | per pound | 81.7 | 78.9 | 78.4 | 83.7 |  |
| Pork, retail cuts and sausage | do. | 64.3 | 56.4 | 56.9 | 77.7 |  |
| Lamb, Choice grade | do. | 78.6 | 75.5 | 74.6 | 80.3 |  |
| Index number meat prices (BLS) |  |  |  |  |  |  |
| Wholesale (1957-59=100) |  | 100.8 | 89.7 | 89.9 | 113.6 |  |
| Retail (1957-59=100) |  | 106.9 | 100.1 | 100.0 | 116.6 |  |

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1/ Average all weights and grades.

2/ Simple average of monthly prices.

3/ Chicago, St. Louis N. S. Y., Kansas City, Omaha, Sioux City, S. St. Joseph, S. St. Paul, and Indianapolis.

4/ Number bushels of corn equivalent in value to 100 pounds of live hogs.

Selected marketing, slaughter and stocks statistics for meat animals and meat

| Item | Unit | 1965 | | | 1966 | |
|---|---|---|---|---|---|---|
| | | Year average or total | Jan. | Feb. | Jan. | Feb. |
| Meat animal marketings | | | | | | |
| Index number (1957-59=100) | | 119 | 117 | 102 | 116 | 98 |
| Stocker and feeder shipments to | | | | | | |
| 8 Corn Belt States | 1,000 | | | | | |
| Cattle and calves | head | 7,230 | 428 | 279 | 484 | |
| Sheep and lambs | do. | 2,157 | 122 | 129 | 107 | |
| Slaughter under Federal inspection | | | | | | |
| Number slaughtered | | | | | | |
| Cattle | do. | 26,614 | 2,166 | 1,919 | 2,305 | |
| Steers | do. | 13,486 | 1,198 | 1,080 | 1,150 | |
| Heifers | do. | 6,066 | 442 | 401 | 551 | |
| Cows | do. | 6,646 | 500 | 415 | 572 | |
| Bulls and stags | do. | 415 | 26 | 23 | 32 | |
| Calves | do. | 5,076 | 404 | 384 | 382 | |
| Sheep and lambs | do. | 11,709 | 1,062 | 850 | 907 | |
| Hogs | do. | 63,708 | 6,047 | 5,301 | 4,719 | |
| Percentage sows | Percent | 7 | 6 | 5 | 6 | |
| Average live weight per head | | | | | | |
| Cattle | Pounds | 1,016 | 1,043 | 1,040 | 1,046 | |
| Calves | do. | 203 | 209 | 195 | 206 | |
| Sheep and lambs | do. | 100 | 103 | 104 | 106 | |
| Hogs | do. | 240 | 241 | 235 | 243 | |
| Average production | | | | | | |
| Beef, per head | do. | 580 | 600 | 599 | 596 | |
| Veal, per head | do. | 113 | 117 | 109 | 114 | |
| Lamb and mutton, per head | do. | 49 | 51 | 51 | 52 | |
| Pork, per head | do. | 147 | 146 | 142 | 151 | |
| Pork, per 100 pounds live weight | do. | 61 | 61 | 60 | 62 | |
| Lard, per head | do. | 28 | 29 | 28 | 27 | |
| Lard, per 100 pounds live weight | do. | 12 | 12 | 12 | 11 | |
| Total production | Million | | | | | |
| Beef | pounds | 15,422 | 1,295 | 1,146 | 1,370 | |
| Veal | do. | 572 | 47 | 42 | 43 | |
| Lamb and mutton | do. | 576 | 54 | 43 | 47 | |
| Pork | do. | 9,330 | 883 | 751 | 711 | |
| Lard | do. | 1,772 | 175 | 149 | 129 | |
| Commercial slaughter 1/ | | | | | | |
| Number slaughtered | 1,000 | | | | | |
| Cattle | head | 32,324 | 2,633 | 2,341 | 2,862 | |
| Calves | do. | 7,410 | 606 | 567 | 576 | |
| Sheep and lambs | do. | 12,999 | 1,170 | 936 | 991 | |
| Hogs | do. | 73,780 | 6,996 | 6,161 | 5,728 | |
| Total production | Million | | | | | |
| Beef | pounds | 18,315 | 1,536 | 1,365 | 1,655 | |
| Veal | do. | 936 | 79 | 69 | 75 | |
| Lamb and mutton | do. | 638 | 59 | 47 | 51 | |
| Pork | do. | 10,736 | 1,016 | 871 | 828 | |
| Lard | do. | 1,979 | 194 | 167 | 145 | |
| Cold storage stocks first of month | | | | | | |
| Beef | do. | --- | 315 | 293 | 260 | 260 |
| Veal | do. | --- | 13 | 14 | 10 | 9 |
| Lamb and mutton | do. | --- | 13 | 12 | 12 | 11 |
| Pork | do. | --- | 284 | 309 | 152 | 157 |
| Total meat and meat products 2/ | do. | --- | 702 | 706 | 484 | 492 |

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1/ Beginning January 1966 federally inspected and other commercial plants including custom slaughtering of animals for farmers. Data not comparable with other years.

2/ Includes stocks of canned meats in cooler in addition to the four meats listed.

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